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| Egypt | E£2.25 | Lebanon | $1.25.00 | Switz | SFr2.20 |
| Finland | Fmk7.00 | Lux | LFr48 | Taiwan | NT$95 |
| France | FFr6.50 | Malaysia | Rlt4.25 | Thailand | Bht50 |
| Germany | DM2.20 | Mexico | Pes300 | Tunisia | Din0.800 |
| Greece | Dr100 | Morocco | Dh6.00 | Turkey | L500 |
| Hong Kong | HK$12 | Neth | Fl3.00 | UAE | Dh6.50 |
| India | Rup15 | Norway | Nkr10.00 | USA | $1.00 |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,442 — Wednesday January 20 1988 — D 8523 A

**Senegal: striking back at the desert, Page 24**

## World News

# Israelis invoke emergency powers

Israeli Police Minister Haim Bar-Lev invoked emergency powers authorising police to impose curfews in Arab east Jerusalem in an attempt to combat an anti-Israeli uprising.

*Meanwhile, Defence Minister* Yitzhak Rabin banned outside food shipments to Palestinians in the occupied West Bank and Gaza Strip and said the first priority of security forces was to use "might, power and beatings" to crush Arab unrest. **Attempt to end strike, Page 3**

### Reagan to resume arms aid to Contras

*President* Ronald Reagan was to resume airdrops of military supplies to Nicaraguan Contra rebels and would seek more funds for the insurgents in a request to Congress later this month, the White House said.

The announcement came as Contra leaders in Miami agreed to hold face-to-face ceasefire talks with the Sandinista Government of Nicaragua. **Page 24**

### Nicaraguan arrests

The Nicaraguan government arrested five prominent conservative politicians for holding an allegedly illegal meeting with US-backed Contras, as President Daniel Ortega was about to formally decree an end to a six-year-old state of emergency.

### Salvador poll target

Salvadorean leftwing FLMN guerrillas said they would disrupt local elections in March and called for a boycott of the poll.

### Arms pact confidence

A US-Soviet agreement to reduce long-range nuclear arsenals appeared possible without first resolving differences over the Strategic Defence Initiative, chief US arms negotiator Max Kampleman said. **Page 4**

### Belgian air strikes

Belgian air traffic controllers began a series of lightning, two-hour strikes to protest against low manning levels.

### Governor impeached

Impeachment proceedings were due to open against Governor Evan Mecham of Arizona, former car salesman, accused of perjury, fraud and concealing a $350,000 campaign contribution.

### Peace moves rejected

Kampuchea's Khmer Rouge guerrillas denounced Vietnamese peace moves as a sham and said they would fight until Hanoi's forces left the country.

### Rebels free prisoners

Tamil rebels raided a jail in eastern Sri Lanka and freed all 55 Moslem and Tamil prisoners.

### S. Koreans protest

About 150,000 South Koreans staged demonstrations in Chonju and Chunchon against the alleged North Korean bombing of a South Korean airliner. **Amnesty plan, Page 3**

### Argentine detainees

Argentina's Ministry of Defence said 272 members of the army including 50 officers had been detained following the revolt led by Col Aldo Rico. **Trouble brews, Page 24**

### AIDS vaccine problem

Efforts to create a vaccine against AIDS had run into difficulties and the disease would remain a global threat for many years, French specialist Professor Luc Montagnier said.

### Soviet immigrants

An American couple from Pennsylvania were granted permission to take up residence in the Soviet Union as political emigrés.

### Le Matin bows out

France's bankrupt Le Matin newspaper appeared for the last time on the newsstands.

## Business Summary

# Sterling Drug in $2bn Roche defence

**STERLING Drug**, US drug group which is fiercely resisting a takeover offer from Hoffmann-La Roche of Switzerland, has lined up $2bn in financing to use in its defence. **Page 25**

**WALL STREET:** The Dow Jones industrial average closed down 27.52 at 1,936.34. **Page 46**

**LONDON:** Discouraging news about falls in industrial and manufacturing output, combined with pessimism over the direction of US stocks, led London equities into a dull fall. The FT-SE 100 index ended 22.0 down at 1,768.0. **Page 42**

**TOKYO:** The 23,000 mark proved too big a hurdle for the Nikkei average in Tokyo yesterday and prices sagged as profit-taking took hold. The index closed down 12.03 at 22,898.17. **Page 46**

**DOLLAR** closed in New York at DM1.6795, Y128.60, FFr5.6640, SFr1.3685. It closed in London at DM1.6760 (DM1.6805); FFr5.6500 (FFr5.6725); SFr1.3655 (SFr1.3705); Y128.55 (Y130.05). **Page 35**

**STERLING** closed in New York at $1.7765. It closed in London at $1.7785 ($1.7745); DM2.9800 (DM2.9825); FFr10.0475 (FFr10.0650); SFr2.4275 (SFr2.4325); Y228.75 (Y230.75). **Page 35**

**GREECE'S** current account deficit deteriorated last November, taking the shortfall for the first 11 months of 1987 to $6.56bn, 25.5 per cent higher than for the same period in 1986. **Page 2**

**DUTCH Government** is to curb subsidy schemes in a bid to stop chronic overspending that threatens to widen the budget deficit to 8 per cent of national income. **Page 2**

**ITALIAN Parliament** was expected to approve the partial privatisation of Milan investment bank Mediobanca. **Page 2**

**SOUTH Korean companies'** new equity investment in overseas business projects in 1987 soared to $397m, up 130 per cent from 1986. **Page 3**

**JAPAN'S** money supply grew by 11.5 per cent in December, bringing the rate for 1987 as a whole to 10.4 per cent, compared with 8.7 per cent in 1986. **Page 3**

**EUROPEAN Community** rebuffed most of Romania's demands for fresh trade concessions. **Page 4**

**JAPAN'S** Exim bank is offering to provide India with $300m-$400m of soft loans to help fund the construction of three or four thermal power stations. **Page 4**

**UK Chancellor of the Exchequer** Nigel Lawson will have opportunity to lower the basic rate of tax from 27p to 25p in the March 15 Budget, with the news that the public sector borrowing requirement showed a surplus of £400m ($700m) last year. **Page 8**

**VIDEOTRON** of Quebec, Canada's second largest cable television operator, is discussing taking a 49 per cent stake worth more than £100m ($178m) in UK media magnate Robert Maxwell's British Cable Services. **Page 25**

**SVENSKA Cellulosa**, Sweden's second largest forestry and paper products group, is to buy Peaudouce, leading French disposable nappy producer, for FFr1.962bn ($346m). **Page 25**

**EL HELAL Investment Company**, Islamic investment house, has collapsed and, according to a Cairo magazine, its head has disappeared with E£20m ($9m) of depositors' funds. **Page 26**

**OLYMPUS Optical**, leading Japanese maker of cameras, microscopes and optical medical equipment, suffered a 32.7 per cent drop in earnings to Y5.2bn ($40bn) for the year ended October 31. **Page 26**

**EDOUARD Balladur**, French Finance Minister, has fixed the privatisation price of Matra, electronics and armaments group, at FFr110 ($19) a share, valuing the company at FFr2.19bn ($386.5m). **Page 29**

# Shevardnadze warns N-arms pause threatens peace

BY DAVID MARSH IN BONN

MR *Eduard Shevardnadze*, the Soviet Foreign Minister, yesterday said the "pause" proposed by Nato in European nuclear disarmament could endanger peace.

Speaking at the end of a two-day visit to Bonn, he also criticised the unwillingness of Britain and France to bring their nuclear forces into further rounds of disarmament.

Mr Shevardnadze, in a clear move to expose present divisions in Nato over the next steps in arms control following last month's accord on scrapping medium-range nuclear missiles, praised the West German Government for wanting to continue the pace of arms reductions.

This, he said, was in contrast to the reluctance of other Nato members.

Clearly referring to the reluctance of the US, Britain and France to countenance "follow-on" talks on reducing short-range missiles in Europe, Mr Shevardnadze asked: "Why this tiredness among certain governments? Why do we need all these pauses?"

A pause in disarmament in Europe would be a "very dangerous line" and would, if enacted, upset "all that has been achieved" with last year's arms breakthrough, he said.

**The Soviet Union has agreed to a visit to Moscow by a group of Israeli officials - the first since relations were severed during the 1967 Middle East war. The Soviet Foreign Ministry said that agreement to the trip did not signify any change in Moscow's attitude to Israel. Page 2**

Mr Shevardnadze paid tribute to the "great political importance" of his talks with leading politicians and industrialists in Bonn.

Underlining the sharp improvement in relations between Moscow and Bonn during the past 12 months, he hailed West Germany's role in what he called the present "upheaval" in international relations.

The two sides agreed to hold annual consultations between foreign ministers. However, Mr Shevardnadze dashed West German hopes that Mr Mikhail Gorbachev, the Soviet leader, would come to Bonn in the first half of the year.

Discussions over a meeting with Chancellor Helmut Kohl of West Germany would be put off until later in 1988, he said.

Mr Shevardnadze, clearly focusing on the strong disarmament feelings of West German public opinion, spoke strongly in favour of a world-wide ban in development and production of chemical weapons. He criticised the US and France for preparing production of new types of chemical weapons.

He said the Soviet Union was willing to negotiate balanced force reductions which would be properly verified. He suggested that future talks in Vienna on reducing conventional forces in Europe should also include discussions on reducing "dual" use arms systems capable of delivering either nuclear or conventional weapons.

# Sustained Japanese trade surplus with US subdues markets

BY CARLA RAPOPORT IN TOKYO AND SIMON HOLBERTON IN LONDON

THE BIG US trade imbalance in favour of Japan is showing no sign of shrinking, according to figures issued in Tokyo yesterday.

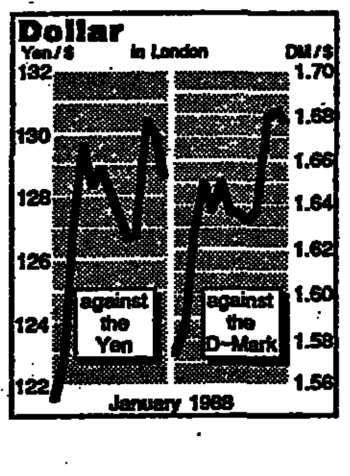
Japan's customs-cleared trade statistics for December and the *whole of 1987 show that the* stronger yen has resulted in higher imports from around the world, including the US. However, Japanese exports have not been seriously dented.

In dollar terms, Japan's trade surplus with the US grew in December to $4.9bn, compared with $4.7bn 12 months before. Japanese exports to the US increased in December to $8bn, from $7.2bn a year earlier.

Financial markets in Europe and North America were subdued yesterday after the release of the figures. The dollar came under light selling pressure and there were declines in share prices in London and price falls in New York by midsession.

Japan's trade surplus with the US for the year rose from $51.5bn in 1986 to $52.1bn in 1987. Exports were up by nearly 4 per cent in the year, while imports from the US advanced by only 8.2 per cent.

Even though in yen terms there was a fall in the surplus, analysts in Tokyo believe the trend shown in the latest figures will continue to exert a downward pressure on the US dollar in the weeks and months ahead, despite the positive trade figures released by the US last week.




The trade imbalance with the US continues to be a source of great friction between the US and Japan, with the Japanese claiming that the problem cannot be solved until the US reduces its huge fiscal deficit. The US says Japan should export less and import more.

Japan is doing just that, but to a larger extent in countries other than the US. The growth in imports from European Community countries, for example, was 25 per cent in 1987. Indeed, Japan's overall exports in 1987 rose 9.6 per cent over 1986, while imports rose by 18.2 per cent.

As a result, Japan's overall trade surplus last year was $79.8bn, down from $82.7bn in 1986, a 3.5 per cent decline and the first drop in five years. In yen terms, the 1987 figure was Y11,597bn against Y13,739bn in 1986.

The release of the Japanese trade figures has caused financial markets to reassess their initial optimism over last Friday's US trade statistics.

The threat of central bank intervention to defend the dollar has kept foreign exchange markets in check, although the dollar began to weaken in late European trading.

Equity markets were also in the doldrums. Dealers said fears over further dollar weakness, because of the US's poor trading posture, was keeping investors away from the London market.

The FT-SE 100 Share Index closed down 22 points at 1,768.

In London, the dollar closed at DM1.6760 compared with DM1.6805 on Monday and at Y128.55 compared with Y130.05.

The pound closed at $1.7785 compared with $1.7745 on Monday and at DM 2.98 compared with 2.9825.

# IBM earnings leap fails to impress Wall St

BY RODERICK ORAM IN NEW YORK

INTERNATIONAL Business Machines yesterday reported a sharp jump in fourth quarter profits, the best evidence yet that the world's largest computer maker is recovering from the poor performance which dogged it through the mid-1980s.

Wall Street reacted coolly to the results, even though profits were in the middle of forecasts. IBM shares closed down $6 at $111¼ after analysts noted a number of negative factors.

IBM had, for example, used an unexpectedly low tax rate, benefited from foreign currency translations and suffered slower growth of hardware sales.

IBM was making good progress overall, analysts said, but the question marks raised in the fourth quarter prompted some of them to downgrade their investment ratings of the stock to a "hold" from a "buy."

Mr John Akers, chairman, said the results showed the company's efforts to make itself more competitive were "beginning to pay off."

"Although we remain concerned about the uncertainties in the worldwide economy as we move into 1988, we are planning for growth."

Pre-tax earnings rose 29 per cent to $3.28bn in the quarter from $2.54bn a year earlier. But a tax rate of 36.4 per cent, some six percentage points lower than forecast, contributed to a 50 per cent rise in net profits to $2.09bn, or $3.47 a share, from $1.39bn, or $2.28.

The net position was also boosted by a gain of $320m, or 53 cents a share, from translation of foreign subsidiaries' earnings into dollars.

Moreover, hardware sales rose only 5.2 per cent to $12.9bn in the latest quarter from a year earlier, compared with a 9.2 per cent rise in the third quarter when IBM showed its first signs of recovery after several dismal years.

The latest quarter is the second running that IBM has reported year-on-year gains for the first time since 1985.

IBM has invested heavily to revamp its extensive product range as a key to its revival. The company gave no sales breakdown but analysts said strong sales of its new personal computers were offset by slow sales of some new mid-range models.

Total fourth quarter revenues rose 6.3 per cent to $18.01bn from $16.95bn a year earlier with software sales showing the biggest gain, rising 29 per cent to $2.28bn. The company is making a big push in software, hoping revenues will match those from hardware in the next decade.

Net profits for the full year were $5.26bn, or $8.72 a share, up 9.8 per cent from $4.79bn, or $7.81, a year earlier. The latest profits included $615m, or $1.02 in currency gains. Revenues rose 5.8 per cent to $54.22bn from $51.25bn.

Revenues from non-US operations grew by 13.1 per cent to $29.28bn to account for 54 per cent of the group's total. Foreign net earnings grew by 3.7 per cent to $3.31bn, equal to 62 per cent of group earnings.

IBM's tighter grip on its sprawling global empire was demonstrated by a 3.4 per cent rise in costs and expenses in the fourth quarter to $14.96bn and by 7.1 per cent to $46.48bn in the year.

In the past two years, the group has cut its workforce, through early retirement, by about 16,000 employees to 390,000. It also reassigned about 21,000 employees

# Standard Chartered bid defence 'did not break law'

By Nick Bunker in London

AN OFFICIAL investigation has found that Standard Chartered, the London-based international bank, did not break the law while defending itself in 1986 against a hostile £1.3bn ($2.3bn) takeover bid from Lloyds Bank, the Bank of England said yesterday.

There were no grounds for action against Standard Chartered under the Banking Act, the Bank of England added. It said the Department of Trade and Industry had also been informed of the investigation's outcome and was proposing to take no further action.

Standard Chartered itself requested the investigation in February last year after what it described last night as "persistent adverse press commentary" about its successful defence against the Lloyds bid. The commentary culminated in an article in the Financial Times on February 4 1987, Standard Chartered said yesterday.

Much of the press comment centered on the roles played in Standard Chartered's bid defence by a number of wealthy investors who came to be known as its "white squires." They included Sir Yue-Kong Pao, the Hong Kong shipping magnate, Mr Robert Holmes à Court, the Australian businessman, and Tan Sri Khoo Teck Puat, the Malaysian financier.

The Lloyds bid failed on July 12 1986, after the white squires in effect came to Standard Chartered's rescue by buying more than 30 per cent of its stock.

Journalists subsequently raised the question of whether or not Standard Chartered might have provided financial inducements to friendly buyers of its shares. The group strenuously denied any such suggestions.

Standard Chartered has a libel action pending against the Financial Times based on its article of February 4.

On that day, Standard Chartered approached the Bank of England, and asked it to appoint investigators under section 17 of the 1979 Banking Act. The Bank appointed Mr Peter Gerrard, a solicitor, and Mr Brian Smouha, an accountant.

The Bank of England said yesterday the investigators were "wholly satisfied" there was no active co-operation among the white squires directed at gaining control of Standard Chartered, and they therefore did not form a so-called "concert party."

The investigators also concluded there was "no provision

**Continued on Page 24**

# S African sanctions will hinder reform, says study

BY MICHAEL HOLMAN IN LONDON

A COMPREHENSIVE assessment of sanctions against South Africa published today concludes that they will impede reform and debate in the country, are unlikely to unseat the Government, and could well lead to a partitioned country in an increasingly violent region.

The 170-page report by academic Ms Merle Lipton and published by the Economist Intelligence Unit in London, a research subsidiary of the Economist magazine, is likely to provoke renewed debate about the merits of a controversial policy.

Ms Lipton, a South African working for the Investor Responsibility Research Centre, an independent research body in Washington, highlights the resilience of the South African economy and the vulnerability of neighbouring states.

The report also draws attention to the divisions within the black community over the merits of the policy and the anomalies of the measures already in place. Above all, it raises doubts about whether sanctions will have a constructive political impact.

The study seems certain to reinforce the anti-sanctions stance of Mrs Margaret Thatcher, the British Prime Minister, and presents a serious challenge to advocates of tougher economic measures against the republic.

The report comes ahead of a meeting of foreign ministers from eight Commonwealth countries in Lusaka, Zambia, at the beginning of next month to review developments in South Africa.

The ministers, from Australia, Canada, Guyana, India, Nigeria, Tanzania, Zambia and Zimbabwe, will consider further measures against Pretoria.

Ms Lipton says that while comprehensive sanctions might contribute to a gradual erosion of white control, they would also "erode those economic bonds that have drawn together the diverse people of South Africa...making more possible partition, against a background of growing violence."

The report says the growth of a large black urban workforce and middle class makes South African society more closely integrated than the Government recognise.

**Uncertain impact, Page 4**

# Société Générale plan blocked

BY TIM DICKSON IN BRUSSELS

MR CARLO DE BENEDETTI, the Italian businessman, received a major boost yesterday in his attempt to take effective control of Société Générale de Belgique, Belgium's biggest commercial and industrial holding group, when a Brussels court blocked the target company's controversial "poison pill" defence.

This came on a day which saw indications that a camp of "white knights" may be rallying behind the beleaguered Belgian institution while the Italian businessman also spelt out ideas for possibly bringing Belgian shareholders into his grand design for the pivotal group in the country's economy.

Société Générale's immediate reaction to the news on Monday that Mr de Benedetti already owned 18.6 per cent of its equity and intended to make a partial offer for the rest, had been to announce plans for issuing BFr50bn ($1.88bn) of new shares into friendly hands, a move which would significantly dilute his stake.

Mr de Benedetti had disclosed that he spoke for 18.6 per cent of the holding company's equity and intended to make a partial offer for the rest.

Cerus, Mr De Benedetti's Paris-based financial holding company which masterminded

**Continued on Page 24**



## CONTENTS



KAMPUCHEA INCHES TOWARDS A PEACE SETTLEMENT

**Prince Sihanouk's coalition Government may be the alternative to Vietnamese occupation, Page 23**

# Moscow agrees to visit by Israeli officials

BY CHARLES HODGSON IN MOSCOW AND ANDREW WHITLEY IN JERUSALEM

THE SOVIET UNION said yesterday it had agreed in principle to allow a group of Israeli officials to visit Moscow, the first such trip since the Kremlin severed diplomatic relations with Israel during the 1967 Middle East war.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said no date had been set for the visit, which is officially intended to allow the Israelis to study the work of the Israeli interests section of the Dutch Embassy in Moscow.

The announcement represents a further sign of cautious rapprochement between Israel and the Soviet Union, and it coincided with last night's arrival in Israel of Mr Yosef Begun, a prominent Soviet Jewish activist who has fought for 16 years for the right to emigrate. Mr Gerasimov was, however, quick to stress that agreement to the trip did not signify any change in Moscow's attitude towards Israel.

"The restoration of diplomatic relations is only possible in the framework of a comprehensive Middle East settlement," he said.

Mr Gerasimov said the visit was discussed at previously unannounced talks yesterday between Soviet and Israeli officials in Helsinki. He added that the Soviet delegate had reiterated Moscow's condemnation of Israel's unlawful acts against the Palestinian people on the West Bank and the Gaza Strip.

The Soviet Union supported calls for a Middle East peace conference with the participation of regional parties and the five permanent members of the United Nations Security Council, Mr Gerasimov said.

A Soviet consular delegation has been in Israel since last July, officially to inspect Soviet property, mostly religious sites, and to provide consular services to former Soviet citizens.

Earlier this month, Israel extended the Soviet mission's visas, following a request from Moscow, in the hope that the Kremlin would permit a reciprocal visit. This had been ruled out by the Soviet Union at the time its delegation arrived in Israel and Mr Gerasimov said yesterday that the Israeli visit was "without any linkage to the group of Soviet consular workers in Tel Aviv."

Last October, Mr Shimon Peres, the Israeli Foreign Minister, rejected a proposal from his Soviet counterpart, Mr Eduard Shevardnadze for the mutual establishment of interest sections. Israel insisted on nothing less than restoration of full diplomatic links.

# Farm ministers fail to agree land plan

BY TIM DICKSON IN BRUSSELS

EUROPE'S Farm ministers last night completed their first thorough discussion of the Commission's plan for a "set aside" scheme, under which farmers would be paid for taking arable land out of production.

But there was no sign of a decisive breakthrough on this or any other proposed measure of Common Agricultural Policy reform.

All member states now accept, some albeit reluctantly, that the Commission's "set aside" idea is a necessary element of the wider package of measures aimed at controlling farm spending.

But important differences remain on the details, notably how the plan would be financed, what to do with the "idle" land, and what special arrangements should be made for small farmers.

The most significant split is between West Germany, which would like the set aside scheme to be a substitute for the automatic price cuts implied by the Commission's budget stabiliser proposals, and Britain and the Netherlands who insist along, with the Brussels executive, that the idea of idling land in this way is "complementary" to steps towards more market discipline.

Mr Ignaz Kiechle, the West German Farm Minister and President of the Council for the first six months of the year, was reported to be trying to steer colleagues in favour of the Bonn approach.

But Mr John MacGregor, Britain's Farm Minister, said it was "quite clear that there are a number of member states who do not share this idea."

He said he was pleased to have a thorough discussion of the "set aside" scheme, but added: "We continue to think that stabilisers are absolutely critical."

Ministers last night turned their attention to French and German ideas for the cereals and oil seeds sectors. The round of discussions is likely to finish this afternoon.

# French group accused of arms sales fraud

FRENCH CUSTOMS lodged an official complaint yesterday against a state-owned arms company accused of selling more than 1,000 tonnes of explosives to Iran in defiance of an embargo, **Reuter reports from Paris.**

In a statement, the customs administration said the National Powder and Explosives Company (SNPE) had committed fraud by giving bogus destinations for its exports.

The statement did not name Iran, but documents published by Swedish customs allege that SNPE was part of a cartel of Western explosives makers which made illegal exports to Iran.

According to these documents, SNPE sold 800 tonnes of propellant powder, which is used to manufacture artillery and other munitions, and 250 tonnes of explosives to Iran through a Swedish middleman in 1985.

These were used to make anti-aircraft munitions for Iran, which is fighting Iraq in the seven-year-old Gulf War. France has a self-imposed arms embargo on Iran

# Soviet plan to employ redundant workers

By Charles Hodgson in Moscow

SOVIET FACTORIES which are forced to make workers redundant as a result of Mr Mikhail Gorbachev's economic reforms will have to find them alternative employment under a plan outlined yesterday.

The Communist party newspaper, Pravda, announced that a nationwide network of job placement centres, financed by enterprises, is to be set up. Besides helping redundant workers find employment, it will also arrange vocational training and job retraining.

Under the latest phase of Mr Gorbachev's reform programme, 60 per cent of the country's industries are to switch to "self-financing" this year, earning enough to meet their own costs without relying on state subsidies. Officials have said that those failing to do so will in the last resort be allowed to go bankrupt.

Many are expected to have to make substantial cuts in their bloated workforces to stay in business. Factory managers have traditionally tended to hoard workers and raw materials.

In a related effort to slim down the country's weighty central bureaucracy, ministries and other state administrative bodies have been told to cut staff by up to half this year. The administration is being streamlined and the functions of several ministries and state bodies merged.

Under the new decree, enterprises would have to give workers at least two months notice of redundancy and help them find similar work in the same area. Those losing their jobs would receive their previous salary for up to three months and during any retraining.

The Government has rejected unemployment as politically unacceptable, despite pressure from economists who have argued that a limited unemployment level would bring greater economic efficiency.

Pravda insisted that every worker would still be guaranteed a job and that efforts would be made to limit wage losses and the period between jobs.

The authorities appear keen to promote labour mobility, particularly to the developing regions in the north, Siberia, Central Asia and the non-black soil farmlands of the Russian republics.

They also want to encourage more of those made redundant in industry to join co-operatives or set up their own small businesses, a sector which so far appears to have attracted only limited public enthusiasm.

Crucial questions remain to be answered in the decree, most notably whether workers will be forced to take jobs they do not want and in areas where they do not wish to live. In addition to wide regional variations, certain sectors of the economy, such as services and food processing which are neither very well-paid nor very attractive, also face huge labour shortages.

There is also the key question of housing. At present, most workers are allocated flats by their factories, and the prospect of moving from the top of a housing list at their existing workplace to near the bottom somewhere else is unlikely to prove appealing.

The local authorities will decide how many job centres each area needs and where they will be located. All enterprises must report planned redundancies, new hirings and vacancies to the centres, which will be equipped with the latest computer technology, Pravda said.

HIGH LEVEL GROUP URGES DECISIVE ACTION ON ECU AND DEFENCE

# Europe pressed to create common currency

BY IAN DAVIDSON IN PARIS

THE Action Committee for Europe, the club of leading political and economic figures in the 12 countries of the European Community, has called for a qualitative leap forward in the construction of Europe, in both economic and monetary union and defence.

In the first place, the Committee urges the transformation of the European currency unit into a true common currency and the creation of a common authority to manage it. In the second, it calls for the development of a European pillar within Nato by strengthening and enlarging the seven-nation Western European Union defence grouping.

In both cases, the Committee recognises that its recommendations would require treaties to be renegotiated.

The Committee is a revival of the Action Committee for the United States of Europe created by Jean Monnet, one of the founding fathers of the EC. It was resuscitated in 1985 at the instigation of Max Kohnstamm, for many years one of Mr Monnet's closest associates. Among its current members are Mr Edward Heat, Mr Laurent Fabius and Dr Garret FitzGerald, all fomer Prime Ministers.

Yesterday's declaration was based partly on the stock market crash of last October, partly on the US-Soviet missile treaty signed in December. "On the global scale," it says, "these events have shown that as long as our countries will not form a true union, their influence on the course of events will remain weak and our destiny will depend upon the action of others."



Committeemen Heath, FitzGerald, Fabius: "As long as *our* countries are not a true union, their influence will be weak."

A strengthening of the European Monetary System, the Committee argues, will be a necessary concomitant of the EC's plans for the complete liberalisation of the internal market by 1992. The free movement of capital will be an essential element of this internal market; but in the absence of a strengthening of the EMS, "free movement of capital... risks becoming a potential factor of monetary instability".

"Exchange rate stability and the avoidance of the recurrence of inflation," it says, "require a monetary authority capable of taking the necessary decisions."

The Committee points out that in trade matters the Community has an influence proportionate to its role in the world, because it speaks with one voice within the Gatt. "In monetary matters, this will not happen as long as the Ecu has not become a true currency and our countries do not dispose of a common authority to manage it."

Recognising the difficulty of setting up such a common authority, the Committee is to set up a special working group to make detailed proposals. This will take account both of the memorandum on strengthening the EMS made by Mr Edouard Balladur, the French Finance Minister, and of suggestions expected soon from the Committee for Monetary Union, chaired by former President Valery Giscard d'Estaing and former Chancellor Helmut Schmidt.

Mr Balladur has spoken recently of the need for the Community to consider creating a European central bank and a currency. Though his memorandum has not been published, a recent newspaper interview suggests his proposals fall into two stages.

First, all EC members would participate in the EMS exchange rate mechanism (ERM) and with the same 2.25 per cent fluctuation margin around their central rate; and the budgetary, fiscal and monetary policy objectives would be jointly decided by the member states. Second, in order to secure a common European posture vis-a-vis the dollar and the yen, the Community should work towards a common currency and central bank.

The chance of progress on the proposals of either Mr Balladur or the Action Committee does not seem particularly promising. Mrs Margaret Thatcher, the British Prime Minister, shows no sign of wishing to take Britain into the ERM; and only last week Chancellor Helmut Kohl of West Germany rejected the central bank idea.

On the defence front, the Action Committee calls on WEU member states (France, West Germany, Britain and Benelux) to call an intergovernmental conference "to draft the necessary changes in the WEU treaty to specify the rights and obligations of the European member states who desire to create together the European pillar which will operate within the Atlantic Alliance."

A detailed report by a working group argues that the rights and obligations should include "the equitable sharing of budgetary efforts in matters of defence and security. The WEU's role should also be enlarged so as to draw up "common positions on strategy, on arms control and arms reduction, as well as on external European security problems". These common positions "should become the basis for discussions within the Alliance" [i.e. between the Europeans and the US].

The working group takes for granted that France will not rejoin Nato's integrated command, but calls for various forms of closer military co-operation by France with West Germany, with Britain, and with the rest of Nato generally.

France and Britain "should co-ordinate their nuclear forces on the operational level, and the planning of nuclear systems as regards their conceptions and their uses". The territories of France and West Germany should "constitute a common territory for manoeuvres and especially for European logistical requirements". And in the planning and role of its non-strategic nuclear weapons, France "should inform and consult her European partners".

# Athens and Ankara at odds before talks

BY ANDRIANA IERODIACONOU IN ATHENS

VERBAL skirmishing has flared between Athens and Ankara in the run-up to an expected meeting between the Greek and Turkish Prime Ministers, Mr Andreas Papandreou and Mr Turgut Ozal at the end of this month at Davos in Switzerland.

Greece last weekend denied press speculation that it would forgo the right to extend its territorial waters from six to 12 miles, in exchange for Mr Ozal's agreement to a Greek proposal to refer a Continental Shelf dispute in the Aegean to the International Court of Justice at the Hague.

Turkey has said in the past that a Greek extension to 12 miles would be cause for war, and at the weekend it said it would "vigorously defend its interests" in such an event. The two countries came closed to armed confrontation last spring following a dispute over undersea oil exploration rights.

**Jim Bodneger adds from Ankara:** Mr Mesut Yilmaz, Turkey's new Foreign Minister, said over the weekend that Turkey wanted to discuss with Greece undisputed matters like co-operation in tourism, communications and trade.

The Davos talks would be a watershed in relations between the two countries, said Mr Yilmaz. Establishing mutual trust was the most important gain that would come out of the talks.

A Turkish seismic survey vessel, the Piri Reis, will set out for international waters in the Aegean on 28 January. Turkish officials say that the purpose of the voyage is to conduct research into pollution and has nothing to do with the Davos talks. So long as the ships activities are confined to pollution studies in international waters, they say, Athens has no no grounds for quarrel over the voyage.

# Imports rise hits Greek balance of payments

BY ANDRIANA IERODIACONOU

GREECE'S current account deficit deteriorated suddenly last November, due to a sharp rise in imports coupled with a fall in invisible earnings, according to the latest Bank of Greece balance of payments figures.

The authorities still predict, however, that they will achieve without significant deviation the deficit target of \$1.25bn for 1987, the last year of a two-year economic stabilisation programme based on a tight incomes policy.

November import costs registered a 46.4 per cent increase relative to the same month in 1986, attributed by the Bank to an increase in international crude oil prices, as well as high non-oil imports.

The November developments raised Greece's trade deficit for the first 11 months of 1987 to \$6.556bn, 25.5 per cent higher than for the same period in 1986. Import costs in the first 11 months of 1987 went up by 22.5 per cent, while export earnings rose by only 18.7 per cent.

# Pressure on Polish price policy

By Christopher Bobinski in Warsaw

THE prices and incomes policy planned for this year by Poland's government led by Mr Zbigniew Messner is coming under pressure from officially approved unions out to maintain real income levels in 1988.

Also the Government has been told by deputies to make spending cuts worth ZL 100 bn in this year's budget which comes up for final approval in parliament tomorrow.

Yesterday Mr Jerzy Urban, the official spokesman, admitted that "intensive debates" were continuing inside the Government on these issues and that its proposals would be revealed soon. Already a group of academic advisers in parliament has pointed out that despite this year's expected 44 per cent inflation rate the gap between supply and demand would continue to grow and not diminish.

The same group has warned that the budget deficit this year would approach record levels reached in 1981, while subsidies were increasing and the external debt was also due to rise from \$36.7bn at the end of this year to \$37.7bn 12 months hence.

Last week as the official trade unions called for a monthly wage increase of Zl 6,750 to cover the cost of the price rises, Mr Janusz Pawlowski, the Social Affairs Minister, more than doubled the Government's initial offer and mentioned ZL 5,000 as compensation.

# Netherlands seeks to restrain overspending

BY LAURA RAUN IN AMSTERDAM

THE Dutch Government yesterday unveiled plans to tighten budget discipline in an attempt to stop overspending that this year threatens to shatter the budget deficit goal.

Mr H Onno Ruding, Finance Minister, wrote to parliament outlining the centre-right government's plans to curb subsidy schemes and sharpen budget preparations. The biggest source of runaway spending are so-called "open-ended" subsidy schemes, which provide payments to all applicants who meet the criteria regardless of how much money is budgeted.

Overspending — that which exceeds previous estimates — will jump by 40 per cent to Fl 7bn (£2.1bn) this year from 1987 and is threatening to widen the budget deficit to 8 per cent of national income or about 7.2 per cent of gross domestic product.

When the 1988 budget was presented last September the goal was 6.4 per cent of GDP although Mr Ruding already warned then that the gap could grow.

"Open-ended" subsidy schemes account for 34 per cent of all public spending, with welfare, unemployment and educational benefits the most uncontrollable.

# Mediobanca plan likely to win go-ahead today

BY DAVID LANE IN MILAN

ITALIAN parliamentary approval for the partial privatisation of the Milan investment bank Mediobanca is expected to be given today. The go-ahead should remove the uncertainty which has overshadowed the operation since the autumn.

The political parties forming Mr Giovanni Goria's coalition government reached agreement on Monday regarding the reduction of the state's shareholding in the bank. Mr Giuliano Amato, Treasury Minister, and Mr Luigi Granelli, Minister for State Investments, informed a parliamentary commission of the terms of the agreement.

As a result of the partial privatisation, Italy's three national interest banks, Banca Commerciale Italiana, Credito Italiano and Banco di Roma, will lose their majority stake in Mediobanca. The three banks, controlled by the state holding corporation IRI, currently have a combined stake of 56.9 per cent in the Milan investment bank.

The three banks will reduce their stake to 25 per cent, but maintain control through a syndicate agreement with a group of industrial and institutional investors from the private sector which will have an equal 25 per cent shareholding. The other half of Mediobanca's stock will be traded on the Milan stock market.

State involvement in Mediobanca is being reduced less than was previously proposed.

# Bundesbank reserves hit

THE Bundesbank has cut the value of its foreign currency reserves by about DM7bn (\$4.4bn) because of the sharp fall in the dollar's value at the end of December, **Reuter reports from Frankfurt.**

The Bundesbank did not give precise details, but its weekly return for the last week of December, published yesterday, showed net currency reserves fell to DM100bn on December 31 from a record DM107bn one week earlier.

The reserves' value fell in spite of the fact that the Bundesbank continued to increase their absolute level, buying dollars on the foreign exchange market to help shore up the US currency.

# East Germany proceeds against activists

BY LESLIE COLITT IN EAST BERLIN

EAST GERMANY yesterday ordered the formal arrest of at least 25 civil rights supporters who have been in detention since they tried to join an official Communist rally in East Berlin on Sunday.

Most of the 100 or more people taken into custody at the same time have been released.

The detentions led to growing tensions between the state and the East German Protestant Church which has shielded civil rights activists.

West Germany condemned the detentions and the Opposition SPD, which has close contacts with the East German party, called for the immediate release of those in custody.

The authorities have launched an investigation against the six arrested persons for alleged "illegal rioting". They and others attempted to unfurl banners with a quotation from the German Communist leader, Rosa Luxemburg, during a rally commemorating her murder in 1919.

The East German Communist Party told the Church it was "indignant" over the "misuse" by civil rights supporters of its day of commemoration. Mr Manfred Stolpe, president of the Eastern Berlin Protestant Church Council, said the government's Secretariat for Church Affairs told the Church it was an attempt to "demean the state's reputation". He said the Church was told that three-quarters of the young East Germans who were taken into custody had previously applied to emigrate to West Germany.

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# EC's banking plans draw sceptical response

**The Commission will be lucky to get its scheme finally agreed by the end of June. Among the main worries is that these proposals still leave too much scope for national authorities to set potentially restrictive rules, William Dawkins reports**

BANKERS ACROSS the European Community are now scrutinising with a distinctly sceptical and jaundiced eye the latest proposals from Brussels for opening their industry to free competition.

The European Commission has presented the scheme, contained in its so-called second banking directive, as a radical and imaginative step towards ending the barriers that now mean any bank has to get clearance from different national financial authorities before it can set up a branch or subsidiary in another member state. As such, it is held as a key part of the EC's overall drive to create a genuinely free market by 1992. Yet the reaction from the banking industry itself has been less optimistic.

Among the main worries voiced by the Brussels-based Banking Federation of the European Community and the EC diplomats now digesting this weighty document are that it still leaves too much scope for national authorities to set potentially restrictive rules. They point to provisions allowing national regulatory authorities to set their own tougher standards on provisions for risks on security trading, slipped in at the last minute under British pressure in the wake of last October's stock market crash.

They also point out that the financial standards set out in the Commission scheme only duplicate separate and wider-rangingwork being carried out under the wing of the Bank for International Settlements and which will eventually produce a code on liquidity, capital bases and other important standards for banks in the US and Japan as well as in Europe.

However, the virtues of a free banking industry — wider choice for customers and industry and maybe even lower charges as a result — are as incontestable as motherhood. And they are also developing fast without Brussels' intervention. Thus most of the criticisms raised so far are on detail rather than principle. Even so, diplomats point out that the Commission will be lucky to get the scheme finally agreed by the 12 member states by its target of the end of June next year.

The heart of the plan is the establishment of a single EC banking licence, which will automatically enable any bank, European or otherwise, to open branches in other member states once they are established and regulated somewhere in the Community. Their "home" EC Government would be responsible for regulating their activities, beyond which they would be free to compete as they liked.

There are two main qualifications: applicants must stick to what the Commission believes is a liberal — the industry federation questions this — list of banking-related activities and they must comply with basic standards of financial prudence.

The qualifying activities proposed by the Commission include leasing, portfolio management and advice, trading in "all forms of" security and other financial instruments like bonds and financial options both for clients and on banks' own behalf, mortgage lending, credit cards, interbank lending and borrowing as well as basic commercial and retail borrowing and lending. The federation has "serious reservations" about the list, and argues that it "should be extended to cover all operations which form an integral part of banking."

Another area for controversy in the months of agonising between the Commission and national officials that lie ahead is the standards to be observed by credit institutions themselves. Other EC legislation is already in the pipeline to set common rules for establishing banks' capital base, to control the size of individual big loans as a proportion of banks' capital base, and to harmonise deposit protection schemes. Coming *soon* is a Commission proposal *on solvency ratios* — the balance between banks' capital and assets — due to be published by Easter.

Beyond that, this new scheme says banks must have initial capital of at least Ecu5m (£3.45m), a requirement unlikely to raise much of a row. But it also proposes that banks' holdings in industrial companies should not exceed 10 per cent of their own funds apiece or 50 per cent in total, an idea which has provoked fundamental objections from West German banks which traditionally own large chunks of their biggest industrial clients.

These conditions are only formally mandatory in the sense that all member states would be obliged to accept them, but not to enforce them on purely domestic banks. National authorities would still be allowed to set their own rules for purely domestic banking, another point criticised by the banking federation, which wants banking authorities to be required to follow the EC standards.

Meanwhile, British sensitivities have been inflamed by the scheme's suggestion that there should be a strict limit on the extent to which non-EC banks should be allowed to benefit from a free market. It says banks from outside the Community should not be allowed an EC licence unless their home countries provide reciprocal access for EC banks. That would be up to the Commission to decide, a process expected to take up to six months.

Critics maintain this is incompatible with a genuinely open market and could even run counter to the EC's own free trade laws. There is also the prospect of, for example, a Japanese bank being prevented from coming to London because another member state's bank meets restrictions in the Tokyo market. The rule might also turn out to be futile in that any foreign bank likely to be affected would sensibly set up in the EC before the directive takes effect.

The Commission argues that it would be unwise to throw Community banking open to non-European competition just as the EC is embarking on the latest talks on global trade in services in the General Agreement on Tariffs and Trade. Cynics, however, point out that it only goes to show that this is one area where the 1992 campaign invites uncomfortable questions over just how much of a free market Brussels really wants.



هكذا عنه بالأصل

# OVERSEAS NEWS

## Japanese money supply up 10.4%

By Ian Rodger in Tokyo

JAPAN'S money supply (M2 plus certificates of deposit) grew by 11.5 per cent in December, year on year, down slightly from the 12.4 per cent rate in November. This brought the money supply growth rate for 1987 as a whole to 10.4 per cent, compared with 8.7 per cent in 1986.

Bank of Japan officials said the December slowdown, the first since June, was due to a drop in the rate of increase in bank lending and to a rise in the collection of corporate taxes.

The central bank has been very nervous in recent months that the high money supply growth rate – more than double the rate of Japan's nominal economic growth – would spark a new bout of inflation. However, Japan has been under strong pressure from the US to maintain low interest rates.

Officials from the central bank have seemed somewhat less worried about inflation in recent weeks, probably because of the anti-inflationary effects of the rising value of the yen. Nevertheless, the economy is continuing to grow strongly, so economists expect the concern about inflation to return if and when exchange rates stabilise.

The Government's Economic Planning Agency said there was a slowdown in overseas orders, but said domestic private sector orders in the fourth quarter would be 3.1 per cent higher than in the third quarter.

## Aquino supporters lead in local poll

CANDIDATES who supported President Corazon Aquino in Monday's local elections in the Philippines appeared to be leading yesterday as results trickled in from about half the country's provinces, **Richard Gourlay reports from Manila.**

Candidates who Mrs Aquino endorsed were leading in 25 of the 33 provinces reporting partial results.

## SA interest rates up

Five leading South African banks said they would raise their prime lending rates by 0.5 percentage points to 13 per cent from the current 12.5 per cent, from later this month, **Reuter writes from Johannesburg.**

## Afghan rebels spurn UN talks

**AFGHAN REBEL leaders said yesterday they would refuse to meet Mr Diego Cordovez, UN mediator, on the eve of talks which the Afghan Government has said could lead to a final settlement to the nine-year-old guerrilla war,** Reuter reports from Islamabad.

**A statement issued for Mr Younus Khalis, the rebel alliance chairman, also called for the Geneva peace talks sponsored by Mr Cordovez to be abandoned. Mr Cordovez was due in Islamabad today to open the new round.**

**"Cordovez wants to give the Afghan nation to the Russians in the name of a political settlement," it said. "The Islamic alliance announces that it is not ready to see Cordovez, we are not ready to talk with him."**

**The statement said Mr Khalis was speaking for all seven parties in the alliance, which is battling the Soviet-backed government from Pakistani bases with Western support.**

## Israel uses emergency powers

BY ANDREW WHITLEY IN RAMALLAH, OCCUPIED WEST BANK

THE ISRAELI Government last night invoked sweeping new powers to quell the unrest in east Jerusalem, the Arab half of the city.

Police Minister Haim Bar-Lev gave the security forces the authority to impose curfews and to cancel the licences of shops that stay closed in compliance with the commercial strike.

Security sources said the imposition of such laws on east Jerusalem - until now a relatively safe haven for Palestinian nationalists - would enable the authorities to carry out overnight arrests under the cover of curfew.

Earlier yesterday, Mr Yitzhak Rabin, the Israeli Defence Minister, said he was determined that no outside supplies of food or clothing would be permitted into the occupied territories until the strikes were over.

Speaking in Ramallah, during a tour of the West Bank, Mr Rabin derided foreign reports of food shortages in the Palestinian refugee camps. He said: "There are ample supplies of whatever is needed by the population...once the shops are open, there will be no shortages."

The Defence Minister explicitly ruled out any possibility of Israel giving permission to foreign governments or relief agencies to send supplies to the 200,000 Palestinians who remain under strict curfew in seven camps in Gaza.

"We will not allow any support from the outside (in terms of) commodities: not from countries, or organisations," he said.

Mr Rabin said the first priority of security forces was to use "might, power and beatings" to crush Arab unrest. Israeli soldiers armed with hammers and crowbars yesterday toured the centres of leading West Bank towns compelling shopkeepers to open up in a determined effort to break the strike which has shut down most West Bank and East Jerusalem shops.

Under the threat of having the steel shutters protecting their premises broken up, most shopkeepers reluctantly agreed to do as the soldiers ordered. But there were no shoppers in sight, and as soon as the patrols moved on the shutters would come down again.

But for all its additional efforts yesterday, the army failed to make an appreciable dent in the shutdown which is steadily becoming the protest organisers' most potent weapon in their unrelenting confrontation with the Israeli authorities.

In Nablus, the largest West Bank town, with a population of over 80,000, the normally bustling centre was deserted.

As troops in full combat gear patrolled the streets in jeeps and on foot, it was evident that more heed was being paid by local townspeople to the anonymous telephone callers warning them to close their shops and stay indoors than to the warnings of Mr Rabin.

The owner of a Ramallah clothes shop, the Salon Vert, spoke bitterly about his dilemma, just minutes after soldiers had ordered him to open his doors – for the second time that day. "I have just had a call telling me to shut down again," he complained, pointing out that he and others regularly received arson threats if they did not comply with the callers' demands.

## PLO radio gains Gaza, West Bank audience

BY ANDREW WHITLEY

EVERY MORNING, at 9 am precisely, a radio station comes on the air in the Israeli-occupied West Bank and Gaza Strip. "This is the Radio of al-Quds (the Arabic name for Jerusalem). The Palestinian Arab station for the liberation of the land and the man", says the announcer in Arabic, before presenting the highlights of the coming day.

Last week the highlight was a group interview with the four deportees, expelled by Israel to Lebanon. Another day it could be instructions to the 1.5m Palestinians of the occupied territories on the next step to adopt in what the radio calls their uprising against Israeli rule.

Borrowing the techniques which foreign stations such as Radio Monte Carlo have successfully used to build up a wide following in the Arab world, Radio al-Quds skilfully mixes in popular music ranging from Fairuz, the Lebanese star, to Madonna, with gobbits of up-to-the-minute news from the area to keep its audience.

Clearly, it is a winning formula. For in just one month of operation the clandestine radio, broadcasting in the name of the Palestine Liberation Organisation from somewhere to the north of Israel, has gained a large and regular audience in the West Bank and Gaza Strip.

Travel in an Arab collective taxi these days anywhere in the West Bank, and the chances are that its radio will be tuned into the new station.

It was an adroit move by Mr Yassir Arafat, the PLO chief, to strengthen a radio transmitter Israeli intelligence said was originally intended for his followers in Lebanon's refugee camps, so it can give good reception as far as Gaza's border with Egypt.

With Israel on the defensive in the propaganda war accompanying the street violence, Palestinians say that Arabic broadcasts of Israel's state-run radio and television stations were beginning to lose their usually high credibility.

## Party plan for Taiwan reforms

By Bob King in Taipei

A HIGH-LEVEL task force of Taiwan's ruling Nationalist Party has set guidelines for the rejuvenation of parliament and two other national bodies. The party thus appears committed to carrying forward the programme of reforms started by the late President Chiang Ching-kuo, who died last week.

Mr Ma Ying-jeou, deputy secretary-general of the party, said yesterday that while the task force had agreed to the outline of the reform, it would be up to other government agencies to fill in the details of the plan.

The guidelines call for more MPs to represent Taiwan, phasing out older members representing long-abandoned constituencies in mainland China and ending the practice of allowing vacant National Assembly seats to be filled by appointees from the same province in China as the deceased member.

These representatives have served as a symbol of Taiwan's claim to sovereignty over all of China, but their continued dominance has aroused considerable resentment in Taiwan.

## S Korea plans amnesty for political prisoners

SOUTH KOREA is planning an amnesty for political detainees to honour a campaign pledge by Mr Roh Tae Woo, president-elect, Prime Minister Kim Chung Yul said yesterday, **Reuter reports form Seoul.**

"The Government has already begun work on a grand amnesty benefitting as many people as possible in the cause of national reconciliation and democratic progress," Mr Kim told parliament.

He did not give details on the timing or size of the proposed release of imprisoned members of opposition groups.

Government officials said the amnesty was expected probably next month before Mr Roh, winner of last month's presidential election, takes over from incumbent Mr Chun Doo Hwan on February 25.

Justice ministry officials have said they are screening more than 1,000 people awaiting trial or in jail for political reasons.

The premier repeated a Government pledge to pay compensation to the relatives of victims of a 1980 armed civilian uprising in the south western city of Kwangju, in which 193 people were officially reported killed.

The opposition and political dissidents said the toll was several times higher. In addition, they accused the Government of hiding facts about the rebellion against martial law, proclaimed under the leadership of Mr Chun Doo Hwan, then a powerful figure in the army.

Mr Roh, ruling party chief and President Chun's protege, told campaign rallies last year that his administration would work to "recover the honour of Kwangju citizens in recognition of their struggle for democracy."

Promised measures included erecting a monument to the memory of those killed and helping the bereaved families to secure their livelihood.

Mr Chun's Government had previously vilified the Kwangju incident, calling the victims rebels or rioters.

Mr Roh, as an army division commander in 1979, moved his troops into Seoul to help Mr Chun, his military academy classmate, during a military takeover after the assassination of President Park Chung Hee, widely regarded as a draconian figure a few months before.

Last July, Mr Chun endorsed Mr Roh's sudden declaration for democracy.

## Seoul foreign investment jumps 130%

SOUTH KOREAN companies' new equity investment in overseas business projects in 1987 soared to $397m, up 130 per cent from 1986, the Finance Ministry said yesterday, **AP reports from Seoul.**

Capital investment abroad, including investment in earlier years, totalled $966m for 534 projects at the end of 1987.

Besides Korea's growing current account surplus, the officials said the sharp rise resulted from several big projects as well as a rise of investment, notably in the US, designed to circumvent trade protectionism.

Of the 1987 investment, $177m went to the US, an increase of 123.7 per cent from the previous year.

South East Asia was second with $131m and the Middle East was third with $71m. No figures for a year earlier were given for the two regions.

● About 150,000 South Koreans demonstrated yesterday against the alleged North Korean bombing of a South Korean airline, said the national news agency Yonhap, **Reuter reports from Seoul.**

## Lagos names companies earmarked for sell-off

BY OUR FOREIGN STAFF

THE NIGERIAN Government yesterday named the 96 companies which will be part of its promised privatisation programme.

General Ibrahim Babangida, the country's military leader, announced that the companies would be divided into five categories, ranging from full privatisation to continuing government control.

The first includes all commercial and merchant banks; the second includes enterprises such as Nigeria Airways in which the government will reduce its equity and withdraw subsidies, forcing the businness to operate on commercial lines.

The third group covers public corporations which will remain government-owned but whose operations will be commercialised. This group includes the Nigerian National Petroleum Corporation and the National Insurance Corporations.

Partial commercialisation applies to the fourth category of enterprises, including the federal railways and the radio, television and housing authorities. The fifth category will encompass social service organisations, which will be allowed to continue as public institutions.

Privatisation is an important part of the government's economic reform programme, but progress has been slow. It has faced political problems with northerners and easterners who feared that Lagos-based commercial interests would end up controlling the privatised companies.

There are also considerable practical difficulties. Most of the state-owned companies do not have up to date annual accounts, and many are heavily indebted.

The government accepts, however, that radical change is long overdue.

● Nigeria's military government yesterday launched an inquiry into a failed $100m project to put telecommunications balloons into space, **Reuter reports from Lagos.**

Mr Olu Falae, government chief secretary, gave inquiry panel members two months to report on why the project, abandoned five years ago, had failed.

The contract was awarded in 1976 to a subsidiary of Westinghouse Electrical of the US at a cost of 89.8m naira (then more than $100m).

## Zimbabweans arrested in security move

FOURTEEN members of Bulawayo's business and farming community are under arrest in a Zimbabwean security clampdown, legal and family sources said yesterday, **Reuter reports from Bulawayo.**

Lawyers acting for them were told they were being held on security charges, possibly involving firearms and explosives, and were promised access to their clients on tomorrow and Friday.

British officials in Harare said one detainee had a British passport and the High Commission had asked the Zimbabwe Foreign Affairs Ministry for details of the case.

Many white Zimbabweans are entitled to British passports by birth but the law does not recognise dual citizenship.

The arrests came a week after a car bomb killed two people at a Bulawayo house used by the banned African National Congress of South Africa, but there was no indication whether they were linked to the case.

Under Zimbabwe's emergency laws suspects can be held indefinitely without trial though their cases are subject to independent review.

## Iraq assails Gulf dialogue

BY ANDREW GOWERS

IRAQ yesterday signalled its deep unease with recent Syrian-brokered efforts to open a dialogue between the other Arab Gulf states and Iran. The government-controlled press said such moves aimed at "whitewashing Iran" and isolating Iraq, and that they violated an agreement at last November's Arab summit in Amman to form a common front against Iran.

It was an unusually sharply-worded attack on conciliation efforts by the conservative Gulf states which generally support Iraq in the Gulf war.

Syria has apparently been trying to set up a deal whereby Iran postpones its long-awaited offensive on the southern battlefront and Iraq halts attacks on Iranian shipping.

Iran confirmed at the weekend that it was prepared to open a dialogue with the GCC. But the tanker war has shown no sign of abating, and the latest fighting reported by Iran on the northern warfront this week is likely to render mediation efforts even more difficult.

# AMERICAN NEWS

Dole and Robertson score well in Iowa caucus opinion polls

## Bush faces the evangelists

BY STEWART FLEMING IN SIOUX CITY, IOWA

VICE PRESIDENT George Bush's prospects of winning the Republican Party's Iowa caucuses on February 8 and so laying a solid foundation here for the party's presidential nomination are being increasingly discounted here following the publication earlier this week of the latest Iowa poll.

The poll showed that Mr Bush is now trailing Senator Robert Dole by a wider margin among voters who say they intend to go to the caucuses compared with the previous poll at the end of last year. It also showed that Reverend Pat Robertson, the former television evangelist, appears to be gaining support, spurring speculation that he could come in a strong third behind Mr Bush and Mr Dole.

Mr Dole has moved into a commanding lead among Republican prospective caucus goers in caucuses which are universally recognised as the first major test of voter preferences in the contests for the Republican and Democratic parties' presidential nominations.

The poll shows Mr Dole from the neighbouring state of Kansas with a lead of 41 per cent to 26 per cent over Mr Bush who appears to have been damaged by continuing questions about the role he played in the Iran-contra arms scandal. It is now almost two weeks since a new bout of speculation about the advice Mr Bush was offering to White House officials in the Iran-contra affair.

As striking as the 9 percentage point decline in support for Mr Bush since the last poll is the increase in support for Mr Robertson who arrived in Sioux City on Monday night on the first leg of a 600 mile two-day bus tour of Iowa during which he expects to address rallies in 27 different towns.

Mr Robertson has moved up to third place in the poll displacing Representative Jack Kemp, another conservative who is vying with Mr Robertson for support amongst fundamentalist Christians as well as right-wing Republicans.

Mr Robertson's brand of populist religious nationalism is being greeted with enthusiasm by many in the audiences he addresses.

In an effort to demonstrate his strength his campaign organisers have been calling on his supporters to attend these rallies which are thus being turned into something of a trial run testing the ability of his Iowa organisation to turn out the vote.

Their success has been mixed, however. At some stops 100-150 have turned out to greet him, numbers which in the context of a campaign which is only expected to engage at most 150,000 Republicans in the state, are significant and certainly the equal of the crowds being drawn by Senator Dole and Mr Bush.

But at other small towns on his route crowds of only 20 to 30 have showed up.

Barbara Durr, recently in Washington, reports on innovative charity expenditure

## Third World debt finds new buyers

THE SECONDARY market for Third World debt is attracting a growing new set of cash customers. US conservation, education and charity groups are increasingly using the secondary market to fund their projects in Latin America.

While the transactions are so far quite small, they offer a virtuous way to reduce debt that few can argue with. And now they have encouragement from the US Government through a recent tax ruling and new legislation.

Last month, the World Wildlife Fund (WWF) announced that it had reached an agreement with the Ecuadorean Government to buy $1m of Ecuador's debt paper on the secondary market. The WWF's initial investment of about $300,000, largely donated by US foundations and individuals, is just a start. The Ecuadorean Government has approved "debt for nature" swaps for up to $10m.

Under the plan, Ecuador will convert the $1m in debt to monetary stabilisation bonds in sucres. The bonds will be delivered to Fundacion Natura, a local affiliate of the WWF, which will receive payments of principal and interest. WWF says that it has been promised an interest rate of a few points above inflation.

The bonds will finance the protection and management of six nature reserves and parks including the world renowned Galapagos National Park.

This is a step up from the first Latin American debt for nature swap. Last year, Conservation International, another Washington-based environmental group, bought $650,000 of Bolivia's debt for just $100,000. The Bolivian Government agreed to redeem the debt at face value in local currency to create a nature reserve in the vast jungle of the Beni.

Costa Rica is also preparing the way for such deals. It just devised the legal and financial rules for nature swaps and approved a total conversion of $5.4m. The WWF and the Nature Conservancy, a US conservation organisation, are negotiating a possible $240,000 purchase of land to attach to an existing national park. Ironically the land contains an old airstrip for the anti-Sandinista Contras.

The University of California at Los Angeles (UCLA) has also been investigating the purchase of $25m to $45m of steeply discounted Peruvian and Bolivian debt to fund university programmes in those countries. UCLA representatives have discussed archaeological, museum training, language, church restoration and nutritional programmes with the Peruvian and Bolivian governments, who showed some interest in the schemes.

UCLA, which is scouting for potential donors of debt, particularly among banks, may get a boost following a November 1987 tax ruling by the US Internal Revenue Service. It allows banks to take tax deductions for debts that they donate to charitable organisations or educational institutions.

Although US banks can already get tax deductions for debt write-downs, the ruling favours donations because it will permit banks in their financial accounting to show less loss than they would with a straight writedown. This may help keep shareholders happier.

Mr Tim Bentsen of Peat Marwick's Los Angeles office explained the accounting. Bank X chooses to donate its debt from a given country, whose obligations fell on the secondary market at 50 cents on the dollar.

The country, however, is redeeming the debt at 75 cents. The bank can then take a charitable contribution of up to 75 cents to the dollar, deemed the fair market value of the debt. Previously, the bank would have had to sell the paper to donate the proceeds and could claim only the 50 cent loss for tax deduction purposes.

Poised to take advantage of this new twist, too, is an innovative, small counter trade and trade financing firm in New York. New York Bay Company has helped a number of charity and religious groups to use the secondary market to expand their Latin American budgets. Ms Nancy Sheldon, its managing director, said her company had already worked with Brazil, Honduras, Mexico and Ecuador in deals ranging from $4m to $15m.

She musters clients by suggesting several pool their funds for a given country and reap the benefits. Some US critics of the debt for nature or charity swaps say that the transactions could serve just to give international organisations a cheaper way to pay for their programme. The critics say that the groups must augment their budgets not just replace them using local currency.

Others, who favour the swaps nonetheless caution that there are sensitive sovereignty issues involved, especially when buying land for example, and that tahe inflationary impact of debt conversion should be softened through bonds or other instruments.

Ms Barbara Bramble, an activist with the National Wildlife Federation in Washington, believes that multilateral and commercial banks must get involved in order for conservation deals really to weigh in.

To this end, she, and other in activist groups, nudged the US Congress to add a provision to the December Budget resolution for 1988 that calls on Mr James Baker, US Treasury Secretary, and the US Representatives to the World Bank and the International Monetary Fund (IMF) to analyse how countries could pay their debt "through investments in conservation of tropical forests, wetlands and other conservation activities."

## Arizona governor to face hearings

By Lionel Barber in Washington

IMPEACHMENT proceedings are scheduled to open today against Governor Evan Mecham of Arizona, the former car salesman turned politician who is accused of perjury, fraud and concealing a $350,000 campaign contribution.

Governor Mecham, a die-hard conservative Republican, has barely been in office 12 months.

But in that time his scabrous manner and his unabashed cronyism have alienated most sections of public opinion in the cactus state.

Governor Mecham has vowed to prove his innocence at the impeachment hearings which are set to open today in the Arizona legislature.

They stem from grand jury indictments returned last week on charges which relate to the Governor's alleged concealment of a $350,000 loan from an Arizona land developer during his 1986 election campaign.

## Kampelman confident on arms deal

An agreement between the US and Soviet Union to reduce long-range nuclear arsenals appears possible without first resolving differences over President Reagan's Strategic Defence Intitiative, Mr Max Kampelman, the chief US arms negotiator, said yesterday, Our Foreign Staff writes.

In an interview on NBC-TV's Today show, he said he believed the Soviets are "closer to us, though still not there" on the issue, which is the main sticking point in reaching an agreement on strategic nuclear weapons.

Mr Kampelman recently returned to Washington from the year's first round of arms talks with the Soviets in Geneva, which are aimed at a 50 per cent cut in each country's stock of long-range bombers, land-based missiles and nuclear submarines.

## Gen Noriega lifts ban on Panama opposition papers

BY DAVID GARDNER IN PANAMA CITY

PANAMA'S opposition newspapers, closed down last July at the height of an opposition drive to force strongman General Manuel Antonio Noriega from power, were handed back to their owners on Monday evening.

Gen Noriega, head of Panama's 15,000-strong National Guard, appears to be taking a calculated risk in restoring to his opponents the media through which they openly sought his downfall, promoting strikes, lockouts and demonstrations against him last summer.

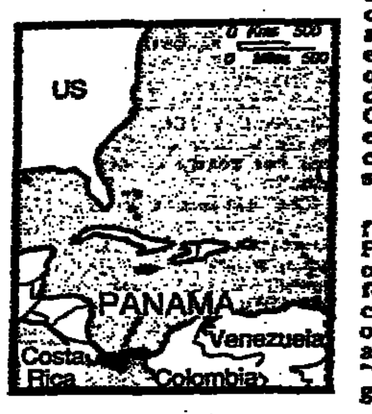
Perhaps in compensation, Panama has in the past 10 days deported reporters from the Washington Post and Miami Herald and now requires foreign journalists to register every three days with the Interior Ministry.

The three daily newspapers, two weeklies and three radio stations will start functioning again at a time when Washington is increasing its pressure on Gen Noriega to leave power, both overtly and through leaks about the Panamanian leader's alleged corruption and involvement in arms and drugs trafficking, and espionage.

Newspaper proprietors say they intend to publish what has appeared in the foreign, particularly US, press about Panama during their shutdown, such as the Organisation of American States' report implicating Gen Noriega in the murder of dissident leader Hugo Spadafora, whose decapitated body was found near the Costa Rican border over two years ago.

They appear set on getting maximum mileage out of the "Blandon plan." Mr Jose Blandon, a key adviser to the regime and its predecessor, led by the late Gen Omar Torrijos, claims he was empowered by Gen Noriega last September to negotiate an honourable exit with the US State Department.

The plan calls for Gen Noriega to step down in April, and for a provisional government under figurehead president Eric Arturo del Valle until




new elections due in May next year.

Mr Blandon was denounced as a traitor by his party, the military allied Revolutionary Democratic Party (PRD) and sacked from his formal post of Consul General in New York, where he now is. Opposition figures here believe he is prepared to reveal some of the regime's most damaging secrets.

"For the first time, an individual who has played a central role in both the PRD and as an adviser to the National Guard, has openly called for Noriega's departure," emphasised Mr Ricardo Arias Calderon, leader of the Christian Democrats, the largest opposition group, and a member of the board of La Prensa, the leading daily, closed since July 27. "This could lead to a new build up in pressure against him."

Allegations by Col Roberto Diaz Herrera, Gen Noriega's outgoing chief of staff - who accused him of rigging the 1984 elections, subsequently forcing out his own hand-picked president, and even of arranging Gen Torrijos' death in an aircraft crash in 1981 - were the catalyst for last summer's widespread protests.

Ms Mayin Correa, a leading figure in the rough-house of Panamanian journalism, and an opposition MP originally elected for the National Guard-backed coalition in 1984, said the reopening of the media including a radio station she owns, "means Noriega is in real danger, now more than ever."

Ms Correa was speaking in the offices of the El Siglo newspaper, alongside a pile of undistributed papers, the last, sequestered edition of July 26, due to have hit the streets on the eve of what turned out to be an only partly effective bosses' strike organised by the local Chamber of Commerce. The banner headlines - "The Strike is On!" and "Noriega's Fall Imminent!" - have not stood the test of time.

CREDITORS SET TO BACK LOAN-BOND EXCHANGE

## Mexican debt go-ahead likely

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

MEXICO is expected to win approval from its international bank creditors for its innovative loans-for-bonds exchange offer to go ahead despite misgivings among some of them, bankers said yesterday.

For the offer to proceed, waivers of loan clauses must be received from banks holding at least 50 per cent of each loan to the country. Morgan Guaranty, Mexico's agent, had set a waiver deadline this week but has extended it to February 5 because full documentation was not sent to Mexico's 400-odd creditors until yesterday.

The auction is scheduled for February 19. Bids may be put in on that day and the results will be published a week later.

The plan has stirred emotions among some banks, which feel that they are financing a scheme which forces participating banks to take a loss.

This is because Mexico has not yet drawn down some $1.2bn still available to it under its $7.7bn loan – since scaled down to $5.5bn

Most bankers, however, feel that little can be done because banks are legally obliged to advance the money should Mexico request it, as is expected. Morgan Guaranty argues that the drawdown and the offer are separate issues, that Mexico has kept its side of the bank agreement, and that its economic performance has built the country's reserves to $14bn.

Though bankers mostly welcome the scheme as a positive development and are therefore expected to give the waiver, their response in terms of bids in the auction remains less certain. Mexico is offering 20-year bonds, on which principal is collateralised by the country's holding of US Treasury bonds, in exchange for existing loans. Banks putting the lowest value on the old loans will have the greatest chance of receiving the new bonds.

# WORLD TRADE NEWS

## Japan to fund Indian power plants

BY JOHN ELLIOTT IN BOMBAY

JAPAN'S Exim bank is offering to provide India with $300m-$400m of soft loans to help fund the construction of three or four thermal power stations.

The Indian Finance Ministry is finalising negotiations for the loans. They will be for 15 years or more at 5 per cent interest. The money will fund the local costs in India of the power stations, plus some agricultural projects.

This is the latest example of Japan recycling more than $20bn of official and private sector funds for major projects in developing countries without tying the money to the purchase of Japanese equipment. Other countries which have benefited include Indonesia, South Korea and the Phillipines.

A separate loan of Y29.5bn from the same source was finalised for India last month. This loan will finance commodity imports and help ease balance of payments problems caused by a severe drought.

Both loans will help India manage longer-term balance of payments problems caused by heavy repayments of an International Monetary Fund loan.

Japan's decision to allow the Exim money to be used for local costs in India – and in Indonesia – is significant. Most foreign aid covers equipment and other purchases abroad. This leaves the developing country to finance local costs, such as civil engineering works.

India has public expenditure as well as balance of payments problems and its lack of funds has delayed many projects in recent years. The Exim loans will help ease these problems.

Japan is seeking to minimise delay and administration and does not want to have to monitor the use of the funds itself. It is therefore funding projects already backed by the World Bank.

The loans will enhance Japan's new position as by far the biggest bilateral aid donor to India. The Japanese embassy in New Delhi estimated last month that the commodity loan would bring its total assistance pledged to India for 1987-88 to Y103bn. This amounted to a third of India's bilateral assistance.

This puts Japan well ahead of the UK, which provides £100m-£140m a year in grants and has traditionally been the largest bilateral donor.

## East and West Germans agree electricity link

Leslie Colitt in Berlin

EAST and West Germany have agreed to link their electric power systems – the first permanent connection between the electricity grids of Eastern and Western Europe.

West Germany will provide peak-time electricity to East Germany, which is short of power, and to West Berlin, which until now was self-sufficient in electricity generation. The agreement follows the visit to Bonn last September by Mr Erich Honecker, East Germany's leader.

The Western companies involved are Preussenelektra, a power utility owned by the Veba energy company, and West Berlin's Bewag electricity company. East Germany's Intrac foreign trade corporation is the East German partner. A final accord is to be signed in a few months.

A 380 kilovolt electric power line, costing about DM350m, is to be built from Helmstedt at the West German border to West Berlin. The first 50km stretch is expected to be ready by mid-1990.

East Germany, which has had problems meeting peak winter demand, will then be able to receive electricity from Preussenelectra's power stations. The entire line to West Berlin is to be completed by late 1991, when about 1bn KW hours of electricity will be delivered to East Germany and West Berlin.

Bewag expects to invest an additional DM60m to DM80m in West Berlin for the project.

Mr Elmar Pieroth, West Berlin's chief economics official, said East Germany would receive the electricity cheaply since the price would fall as more power was delivered.

## Cocom to seek tighter controls

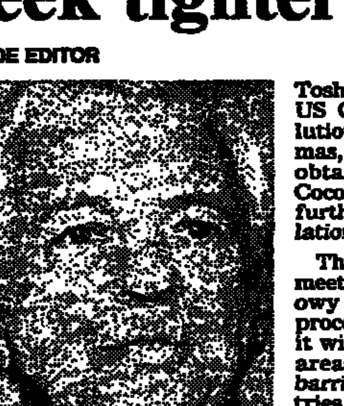
BY PETER MONTAGNON, WORLD TRADE EDITOR

MEMBERS of Cocom – the body controlling the export of sensitive technology to Communist countries – will meet at senior level in Versailles next week to consider ways of tightening enforcement of controls.

Most of the 16 members of the Co-ordinating Committee on Multilateral Export Controls – Japan plus Nato countries except Iceland – will be represented at top civil servant level, while the US delegation will be headed by Mr John Whitehead, Deputy Secretary of State. They will also seek to improve co-operation with countries outside Cocom and to harmonise controls within Cocom.

The US has sought to beef up the organisation since the row last year when a Toshiba subsidiary and Kongsberg of Norway sold precision equipment to the Soviet Union enabling it to produce quiet, and hard to detect, submarine propellers.

The affair highlighted differing levels of enforcement among Cocom countries and added to worries that some impose light penalties on businessmen who infringe the rules.



John Whitehead: seeking to beef up Cocom

Limited sanctions against Toshiba were included in the US Congressional budget resolution passed just before Christmas, but the US is anxious to obtain firm commitments to Cocom to ward off pressure for further sanctions in trade legislation now before Congress.

The unusually high profile meeting of the otherwise shadowy organisation is part of this process. It is not clear how far it will reach agreement in other areas such as reducing trade barriers between Cocom countries themselves. This would go hand-in-hand with a tightening up of external controls.

The US has argued that a higher international profile for Cocom would increase public awareness of its objectives and lessen resistance to export controls. But some European governments fear this would only make its operations even harder by attracting opposition both from the pro-business right and the anti-US left.

## Court backs Nigeria creditors

BY PETER MONTAGNON, WORLD TRADE EDITOR

CONFIDENTIAL Recoveries, the group of disaffected creditors of Nigeria, yesterday won further legal support for its effort to prevent details of last week's rescheduling vote from being divulged to the authorities in Lagos.

At a court hearing, Law Debenture Trust and Mr Bill Park, the City lawyer who chaired the rescheduling meeting, both gave formal undertakings not to reveal the names of creditors who voted against the $3.2bn rescheduling proposal.

An injunction against Chase Manhattan, which counted the votes, was extended until next Monday to allow the defendants more time to prepare evidence responding to charges that there had been irregularities in the voting procedures.

However,the court also made clear that the publicity restrictions should not prevent the trustees from revealing the actual voting figures so that creditors could see the size of the majority which voted in favour of the proposal. So far Law Debenture has only said that the necessary two-thirds majority was obtained.

Mr John Krzywkowski, a lawyer for Confidential Recoveries, said he wrote yesterday to Law Debenture Trust formally requesting disclosure of figures. Law Debenture last night had no comment.

Confidential Recoveries has said it wants to see the vote overturned because it argues that some creditors voted in favour of the proposal purely out of concern that the names of those that voted against would be known to the Central Bank in Lagos.

## EC rejects Romania's plea on trade terms

By William Dawkins in Brussels

ROMANIA'S growing economic isolation deepened yesterday after the European Community rebuffed most of its demands for fresh trade concessions.

Mr Ilie Vaduva, the Romanian Foreign Trade Minister, left Brussels with only a fraction of the market-opening measures he had sought during the annual round of trade talks between his government and the Commission.

Mr Willy de Clercq, the Commissioner for external trade, told him that as long as Romanian trade with the rest of Comecon, notably the Soviet Union, continued to flourish at the Community's expense, the Ceausescu government could expect few trade concessions.The EC has had an annually renewable accord on industrial trade with Romanmia since January 1981.

EC imports from Romania fell 21 per cent in the first half of last year, while its exports dropped by 52 per cent, leading to a near doubling in Romania's trade surplus from $700m to $1.1m for the first six months of 1987.

Romania has been pressing for a fixed deadline for ending the EC import quotas on more than 2,000 Comecon goods, modelled on the separate bilateral accord Hungary has been seeking with the Community with more success. EC negotiators have refused to tie themselves to a cut-off date or to take a single product out of the quota system, though they are prepared to consider extending the present industrial trade accord to agricultural products.

The only concession they allowed was a 25 per cent increase in Hungary's quota for sales to Italy.

## BT wins £1.3m deal

British Telecom has won a consultancy contract to improve telecommunications in Sierra Leone, writes David Thomas.

The £1.3m deal includes management responsibility for 20 equipment contracts and provision of digital exchanges for the capital Freetown.

## The uncertain impact of sanctions against Pretoria

**Michael Holman on a report which queries the value of the main anti-apartheid weapon**

A WIDE ranging assessment of sanctions against South Africa, published yesterday by the Economist Intelligence Unit, comes to a pessimistic conclusion about their likely impact.

There have been three distinct phases in the escalation on international pressure against South Africa, according to Ms Merle Lipton in her 170-page report.

The first was sparked by the Sharpeville shootings of 1960; the second by the Soweto uprising of 1976, and the third by the political upheavals since 1984.

"Logic suggests that another upsurge of protest and violence inside South Africa would provoke a further series of sanctions. In practice...the dynamics of sanctions are so complex and unpredictable that one cannot rule out either a lurch into comprehensive mandatory sanctions, or a loss of interest in this particular strategy for ending apartheid, with a consequent winding down of the campaign."

Ms Lipton goes on to look at the background to the limited sanctions now in place, the costs and benefits of sanctions for Western governments who impose them, South Africa's role in the world economy, and she considers the political and economic effects of sanctions on South Africa itself.

There are, she writes, at least five possible scenarios:

- Existing measures remain in place, but provided there is no major upheaval in South Africa nothing further will be done
- Gradual escalation of sanctions, including bans by the European Community and Japan on coal and agricultural imports, and by Isreal in response to pressure from the United States.
- A more complex and differentiated approach, with the lifting of some sanctions, for example, on sport or on employers who meet certain criteria.
- A major intensification of sanctions, some or all made mandatory by the UN Security Council, prompted by a disaster within South Africa or the region.
- The erosion or lifting of some of the current sanctions either because of rising economic costs, or the overshadowing of concern about South Africa by, for example, developments in the Middle East or the state of the world economy.

"The most likely prognosis for the future," writes Ms Lipton, "is the continued escalation of sanctions;" but she goes on to raise doubts about their practicality and their suitability as a force for constructive change in South Africa.

Ms Lipton points out that existing sanctions have had unintended effects. The effective end to Krugerrand exports in 1985-86 did not lead to a loss of South African gold sales. Instead, the country "benefited, along with all gold producers, from the increasing demand for gold, as the issuing and promotion of new coins in Canada, the USA, Japan and elsewhere has, in most cases, led to an unexpectedly large public response," notes the report.

**Logic suggests that another upsurge of protest and violence inside South Africa would provoke a further series of sanctions**

Although gold, which accounts for between a third and a half of South Africa's exports, is a "tempting target" for sanctioneers, Ms Lipton believes that any embargo would merely drive up the price. Attempts by Central Banks to force the price down by unloading their gold reserves could "threaten the tenuous stability of the international monetary system."

South Africa's black-ruled neighbours, vulnerable to retaliation by Pretoria, have growing reservations about sanctions, she says. Their attempts to build up alternative transport routes to those via South Africa, by rehabilitating regional railways, "provides the South African Defence Force with very exposed targets."

The report notes the self-interest that is one factor in the pro-sanctions lobby. Protectionist groups within the US (coal, textiles, agriculture) were active in shaping Washington's 1986 sanctions package.

The report questions the impact of disinvestment, noting that of some 100 US companies which "withdrew" by 1987, the majority did not cut their links "but restructured their interests in a way which reduces their direct involvement but retains their business relations."

The last section of the report is a searching examination of the results of sanctions now in force, and the possible consequences of tougher measures. "The central question of their impact on South Africa has been largely unexplored."

The historical record shows that the effect of sanctions are unpredictable and indiscriminate: "even if they produce their intended, adverse economic effects, the desired political effects do not automatically follow."

There is a a danger that the South African Government perceives itself "as being caught in a Catch 22 situation, where even genuine reforms did not secure the easing of sanctions, but could even lead to their intensification, on the grounds that the sanctions medicine was working

The impact of sanctions on "the highly diverse black community" will not be uniform, the report says, noting that while one leading black business group has moved towards support of sanctions, the more radical trade unions "remain highly ambivalent."

Far from weakening the Government, the threat of sanctions – and even more than their imposition – has contributed to its strengthening vis-a-vis other sections of society.

The report ends on a pessimistic note. Sanctions that really "bite", eroding black living standards, possibly creating disillusionment and a reaction against their advocates, could "have unintended consequences in the black poewerr struggle."

"Continued incremental sanctions seems unlikely to unseat the Government, and more likely to impede than to accelerate reform...in the long run (they) might contribute to the erosion of white control. But the outcome might not be black rule over an undivided country.

"If sanctions have their intended effects, economic decline could erode those economic bonds that have drawn together the diverse people of South Africa, and strengthen fissiparous tendencies, thus making more possible, partition against a background of growing violence throughout the region."

A preposterous suggestion, you may say. Quite ludicrous. But before you dismiss it as pure fiction, consider the following facts.

The rate of information growth is doubling every five years. Currently, 6000 new scientific articles are published every week.

An explosion of facts and figures shattering the dreams of anyone hoping to become a Jack-of-all-trades. Indeed, being the master of just one is now a race where the finishing line keeps moving.

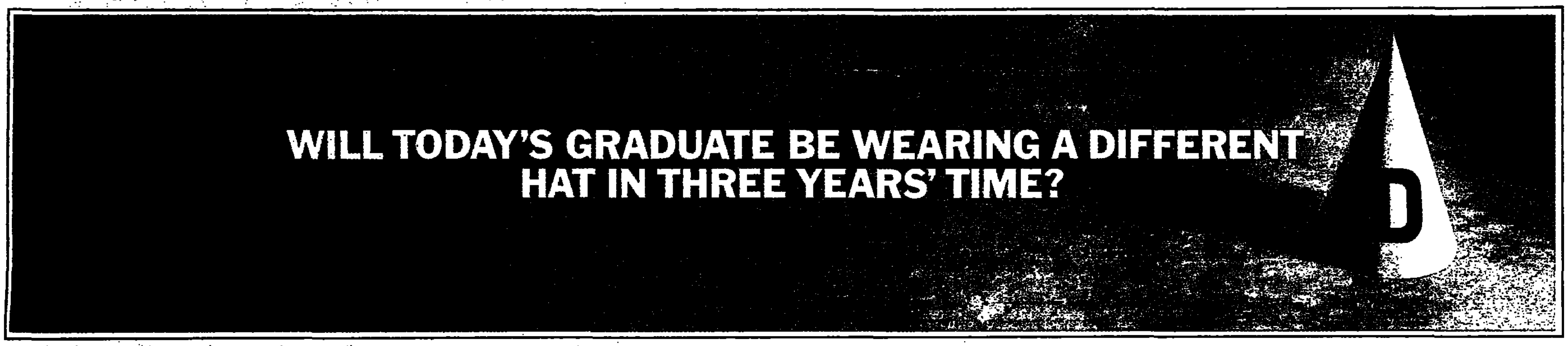
Skills and knowledge that may have taken years to acquire can be out of date almost overnight.

Think of the ship designers in the north-east who have had to turn their hand to designing oil rigs.

The plant breeders who have had their world turned upside down by the advent of genetic engineering.

The textile designers who have had their crayons replaced by computer keys.

Formal qualifications on their C.V.'s, though important, would have given little indication of their capacity to accept and adapt to change.




Of course, if we expect people to have a more flexible, adaptable outlook on work, we must also expect the same of their employers.

So companies must be prepared to do more than just give time off for occasional conferences. They must also allow time off to attend business schools and retraining courses. And maybe more.

Some companies do already. But should we follow the example of countries like Sweden where mid-career breaks of several years are not uncommon? In fact, is it time we reappraised our attitude towards career patterns entirely?

Traditionally, the long serving employee has been held up as the shining example. And, of course, many years of experience in a company can be invaluable.

But in today's fast changing world perhaps we should look more favourably on frequent job changes and regard them as the need to face fresh challenges.

That, in itself, is a challenge that business may soon have to face.

Indeed, in our view, training, or lack of it, is very often at the root of many companies' staffing difficulties.

Yet, sadly some firms still see training as a side issue when compared with, say, providing plant and finance.

According to the latest (1985) MSC figures, the average company spends a mere 0.15% of its turnover on training.

As for ourselves, this year training will cost us some 10% of our income. It's a sizeable sum. But it's one we would not spend unless we knew it would repay us fully in the years to come.

Ernst & Whinney
Accountants, Advisers, Consultants

# Public borrowing surplus opens door for tax cuts

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE SCOPE for sizeable tax cuts in the March 15 budget was confirmed yesterday by evidence that government revenues are running far above the Treasury's forecasts.

Official figures for the public sector borrowing requirement (PSBR) in December, suggest that Mr Nigel Lawson, the Chancellor of the Exchequer, will have ample room to lower the basic rate of tax from 27p to 25p, with cash left over to cut top rates.

The Central Statistical Office said yesterday that in the first nine months of the current 1987-88 financial year, which began last April, the PSBR showed a surplus of £400m. That compared with a deficit of £4.2bn a year earlier.

In Whitehall, the Treasury sought to downplay the significance of the figures, suggesting that it is still too early to make any precise forecast of the scope for tax cuts. For the moment it is sticking to its November forecast of a borrowing requirement of £1bn for the whole of the current year.

The general view in the City of London, however, is that public finances now look likely to be in surplus for the first time since the early 1970s. That in turn would leave the way open for Mr Lawson to announce tax cuts of perhaps £3½bn while budgeting for another PSBR surplus in 1988-89.

Nigel Lawson: Cash in hand

A PSBR target of zero might leave room for reductions of up to £5bn, but Whitehall officials believe that both the current buoyancy of the economy and the growing controversy over spending on the health service point to a more cautious stance.

Yesterday Mr Gordon Brown, Labour's Treasury spokesman, said that the strength of public finances made the Government's opposition to extra money for the health service appear "incomprehensible and perverse".

Whitehall officials privately concede that ministers have been embarrassed by the coincidence of public controversy over health spending and buoyant revenues. But Treasury ministers have indicated that today's public spending White Paper (policy document) will not include any additional spending allocations.

The detail of yesterday's figures shows that the current strength of government finances rests on the combination of a surge in tax revenues and relatively subdued growth in public spending.

Inland revenue receipts in the first nine months were 11 per cent higher against a forecast of a 7 per cent rise.

**Moral basis for tax cuts, Page 10**

# SDP policy stand may threaten merger

By Michael Cassell, Political Correspondent

MR ROBERT Maclennan, the SDP leader, yesterday threatened to undermine last-minute *Liberal* efforts to win support for the final merger package by suggesting that policies abandoned in order to reach agreement could be back on the agenda for the new party.

Mr Maclennan, who came under heavy pressure not to jeopardise a merger deal by refusing to change his views on fundamental policy issues, defended his acceptance of the compromise policy statement drawn up over the weekend.

He denied claims by merger opponents that the new party's policy statement contained a "hidden agenda" which had emerged in the original policy document agreed with Mr David Steel, the Liberal leader.

Mr Steel, unlike Mr Maclennan, is not embarking on a short, national campaign to attract support for the merger but is remaining in London before addressing 3,000 delegates on Saturday.

**Background, Page 11**

# Minister fends off call for more health funds

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT yesterday refused to promise any additional money for the National Health Service in face of renewed pressure from senior Tory backbenchers and opposition leaders during an impassioned *House of Commons* debate.

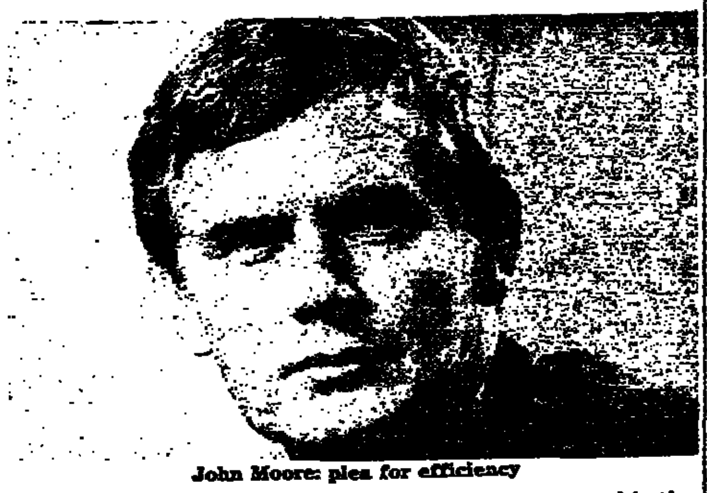
Mr John Moore, the Social Services Secretary, in his first major speech since returning from two months' illness, mounted a holding operation after recent criticism. He robustly defended the Government's record and urged the need for greater efficiency and closer co-operation with the *private sector*.

He gave no hint of any extra money and said: "Unless we see the most efficient use of valuable resources, it is absolutely no good putting more resources into health care."

Tory MPs publicly rallied round Mr Moore, who was hoarse for much of his speech, but afterwards some said that he had done nothing to remove *the growing unease on the* backbenches that the recent chorus of complaints from the medical profession over the NHS is now damaging the Government politically and that new initiatives are needed.

Mr Moore firmly denied that there were any differences with the Treasury and closely followed their and Mrs Thatcher's line in stressing the need for greater efficiency. He referred in detail to variations in performance between different health authorities which provided scope for savings. The emphasis, he said, should be shifted from money and inputs to look more at outputs.

He also urged health authorities to take full advantage of income generation schemes, to use the spare capacity of other authorities, and to co-operate fully with the private sector.



John Moore: plea for efficiency

Concern was expressed in the debate by a wide variety of Tory MPs. Dame Jill Knight, the normally loyalist chairman of the backbench health and social services committee, said there was a need both for an immediate cash injection and to look at long-term *funding*.

In a highly effective opening attack Mr Robin Cook, Labour's social services spokesman, accused the Government of bankrupting parts of the health services.

**Parliament, Page 11**

# Airwaves auction for three new channels

By Raymond Snoddy

THE Government announced yesterday it intends to auction three new national commercial radio channels to the highest bidder, subject to a qualifying test on programme proposals.

The announcement came as Mr Douglas Hurd, the Home Secretary, outlined his plans for an expansion of commercial radio which also envisages several hundred new local and community radio stations.

The three new national channels would each be expected to provide a diverse programme service appealing to a variety of tastes and not be limited to a single format, Mr Hurd explained in a written answer to the House of Commons yesterday.

Mr Hurd said the national eight year licences would be assigned by competitive tender among those applicants whose programme plans had satisfied a newly created Radio Authority, designed to regulate commercial radio "with a light touch." After the qualifying stage, the national licences will go to the highest bidder.

The Home Office yesterday could think of no other country where national radio licences are sold to the highest bidder-albeit in a modified form.

A broadcasting bill to implement the the radical de-regulation of UK radio will be introduced to Parliament this autumn and is expected to become law before next summer.

The new Radio Authority, which will take over control of commercial radio from the Independent Broadcasting Authority is expected to be set up in autumn of 1983 and the first of the new national channels could be on the air in 1990.

The bill will also create the Broadcasting Standards Council to provided a focus for public complaints about the portrayal of sex and violence on television.

A new national VHF frequency will be made available and the other two frequencies will be reassigned from the BBC through the ending of simulcasting

The Government statement was welcomed by those who have been waiting for years to launch local community radio stations and by the many pirate stations who now hope to go "legitimate."

# Jobs protest threatens P&O ferries

By Jimmy Burns, Labour Staff

P&O EUROPEAN Ferries is facing the threat of industrial action by UK and French unions over plans to cut more than 400 cross-Channel jobs.

Shop stewards of the National Union of Seamen are holding meetings this week with about 2,000 P&O employees based in Dover to decide whether to negotiate the cuts or ballot in support of a strike.

At a meeting in the French port of Boulogne on Monday, NUS officials were asked by their French colleagues representing P&O employees on the continent to back a campaign to halt ferries, probably over the Easter holiday peroiod.

P&O has said that it needs to reduce costs in order to compete with the proposed Channel Tunnel.

# Union presses Japan to drop strike–free deals

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS of the Transport and General Workers' Union yesterday pressed the Japanese Government to urge Japanese companies planning to launch operations in the UK to do so without reaching strike-free agreements with British unions.

The move by the Wales region of the TGWU is an attempt to prevent damaging inter-union competition over Japanese investment – and especially the controversial strike-free, single-union deals being signed with Japanese and other foreign-owned companies by the EETPU electricians' union.

The TGWU initiative immediately prompted a fresh bout of inter-union accusations.

Mr George Wright, TGWU Wales regional secretary, met representatives of the Japanese Government at the Japanese embassy in London to urge it to press companies to return to what he said was a previous, and successful, method of *establishing good industrial* relations.

Mr Wright told Mr Isai Aoki, first secretary in the embassy's politics section, that the first Japanese companies to come to Wales had taken advantage of the procedures operated by the Wales TUC under which unions competed in a co-ordinated, organised way for sole bargaining arrangements.

Mr Aoki made it clear that relations with employees were matters for Japanese companies, rather than the Japanese Government, but he undertook to pass on the TGWU's points and is to visit Wales to examine the position in greater detail.

# Johannesburg Consolidated Investments Group

(All companies mentioned are incorporated in the Republic of South Africa)

## Gold mining companies' reports for the quarter ended 31 December 1987 with comparative figures for the previous quarter

## Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
Registration Number 01/00251/06
Issued capital R12 227 106
*(Divided into 6 113 553 shares of R2 each)*

| OPERATING RESULTS *(Unaudited)* | Quarter ended 31.12.87 | Quarter ended 30.09.87 | Six months ended 31.12.87 |
|---|---|---|---|
| **Gold** | | | |
| Ore milled—tons | 2 050 000 | 1 731 000 | 3 781 000 |
| Yield—grams per ton | 3,0 | 2,8 | 2,91 |
| Kilograms produced | 6 150 | 4 847 | 10 997 |
| Revenue—per ton milled | R91,51 | R85,13 | R88,59 |
| Working cost—per ton milled | R59,60 | R65,47 | R62,29 |
| *Profit—per ton milled* | R31,91 | R19,66 | R26,30 |
| **Uranium** | | | |
| Tons treated | 730 000 | 413 000 | 1 143 000 |
| Yield—kilograms per ton | 0,16 | 0,16 | 0,16 |
| Kilograms produced | 117 589 | 67 278 | 184 867 |
| **FINANCIAL RESULTS (R000)** *(Unaudited)* | | | |
| Revenue from gold | 187 599 | 147 359 | 334 958 |
| Working costs | 122 179 | 113 334 | 235 513 |
| *Profit from gold* | 65 420 | 34 035 | 99 455 |
| *Profit from uranium* | 1 207 | 1 186 | 2 393 |
| Net sundry revenue | 1 871 | 2 001 | 3 872 |
| *Profit before tax and State's share* | 68 498 | 37 222 | 105 720 |
| Tax and State's share | 1 767 | 338 | 2 105 |
| **Profit after tax and State's share** | 66 731 | 36 884 | 103 615 |
| Capital expenditure | 36 966 | 42 546 | 79 512 |
| Dividends declared | 18 341 | — | 18 341 |

**Note:**
1. Gold price received: Rand per kg .......... 30 222 | 30 097 | 30 168

**GOLD PRODUCTION**
Mill throughput increased by 319 000 tons in relation to the previous quarter and included 693 000 tons (629 000 tons) from surface sources. Ore milled from underground sources increased by 255 000 tons relative to the previous quarter, when production was affected by the August 1987 strike. The grade from underground sources remained relatively constant. Production at the Doornkop No. 1 Shaft commenced and 22 000 tons of ore were treated from this source at the Doornkop Plant.

**SHAFTS**
Doornkop Shafts
Shaft commissioning is complete and normal operations have commenced. Development via the No. 1 Ventilation Shaft is complete and the shaft has been commissioned.

| CAPITAL EXPENDITURE (R000) | Quarter ended 31.12.87 | Quarter ended 30.09.87 | Six months ended 31.12.87 |
|---|---|---|---|
| Net expenditure: mining assets | 37 103 | 41 139 | 78 242 |
| : other assets | (137) | 1 407 | 1 270 |
| Capital commitments at end of period | 58 058 | 61 168 | 55 058 |
| **LONG-TERM LOANS (R000)** | | | |
| Balance at end of period | 45 097 | 45 945 | 45 097 |
| Interest paid during the period | 138 | 134 | 272 |
| Repayments due within one year | 11 153 | 10 082 | 11 153 |

**CONSUMER LOAN**
The consumer loan has been converted to SA currency at the rate ruling at 31.12.87 which was R1 = $0,5105 (R1 = $0,4760 at 30.09.87). The long-term loan balance as well as the current portion of this loan are expressed net of the future tax effect of losses resulting from exchange differences.

**DIVIDEND**
Dividend No. 105 of 300 cents was declared on 18 December 1987, payable to members registered at the close of business on Friday 8 January 1988. Dividend warrants payable on 2 February 1988 will be posted to members on 1 February 1988.

On behalf of the Board
K. W. MAXWELL
W. P. CONN *Directors*

## Western Areas

Western Areas Gold Mining Company Limited
Registration Number 59/03209/06
Issued capital: R40 306 950
*(Divided into 40 306 950 shares of R1 each)*

| OPERATING RESULTS *(Unaudited)* | Quarter ended 31.12.87 | Quarter ended 30.09.87 | Six months ended 31.12.87 |
|---|---|---|---|
| **Gold** | | | |
| Ore milled—tons | 872 000 | 950 000 | 1 822 000 |
| Yield—grams per ton | 3,3 | 3,4 | 3,4 |
| Kilograms produced | 2 878 | 3 230 | 6 108 |
| Revenue—per ton milled | R99,30 | R100,97 | R100,13 |
| Working cost—per ton milled | R116,92 | R109,02 | R112,29 |
| *Loss—per ton milled* | R17,72 | R7,05 | R12,16 |
| **Uranium** | | | |
| Tons treated | 132 000 | 156 000 | 288 000 |
| Yield—kilograms per ton | 0,34 | 0,36 | 0,35 |
| Kilograms produced | 44 286 | 56 150 | 100 436 |
| **FINANCIAL RESULTS (R000)** *(Unaudited)* | | | |
| Revenue from gold | 86 595 | 95 923 | 182 428 |
| Working costs | 101 960 | 102 625 | 204 585 |
| *Loss from gold* | 15 465 | 6 702 | 22 157 |
| Less | 4 706 | 3 746 | 8 452 |
| *Profit from uranium* | 4 344 | 4 594 | 8 938 |
| Net sundry revenue | 362 | (848) | (486) |
| *Loss before tax and State's share* | 16 749 | 2 956 | 13 705 |
| Tax and State's share | — | — | — |
| **Loss after tax and State's share** | 16 749 | 2 956 | 13 705 |
| Capital expenditure | 6 312 | 10 827 | 17 139 |
| Dividends declared | — | — | — |

**Notes:**
1. Gold price received: Rand per kg .......... 29 644 | 29 616 | 29 630
2. Revenue from gold and the reported gold price take account of gold and currency forward transactions.

**GOLD PRODUCTION**
Shareholders were advised on 30 October 1987 of a fire in the electrical substation at the North Shaft metallurgical plant which interrupted production for nine days. A second fire on 11 December 1987 in the same substation resulted in the loss of a further four days' production at the plant. As a result of the above, the total tonnage treated at the mine decreased to 868 000 tons (924 000 tons) of underground ore. Mill throughput was supplemented by only 4 000 tons (26 000 tons) from surface sources owing to lack of mill capacity as a consequence of the fire.

**95 LEVEL TWIN HAULAGE**
Preparation development around the No. 2 and No. 3 sub-vertical shaft systems is ongoing. Due to problems with water being intersected in the main intake haulage, development towards the South Deep project area has been delayed.

**WATER CONTROL PROJECT**
Dewatering of the Gemsbokfontein Dolomitic Compartment is progressing according to plan.

| CAPITAL EXPENDITURE (R000) | Quarter ended 31.12.87 | Quarter ended 30.09.87 | Six months ended 31.12.87 |
|---|---|---|---|
| Net expenditure: mining assets | 6 636 | 9 055 | 15 691 |
| other assets | (326) | 1 772 | 1 446 |
| Capital commitments at end of period | 7 278 | 4 643 | 7 278 |
| **LONG-TERM LOANS (R000)** | | | |
| Balance at end of period | 17 500 | 18 125 | 17 500 |
| Interest paid during the period | | | |
| Repayments due within one year | 2 500 | 2 500 | 2 500 |

**FORWARD CONTRACTS**
The company previously entered into forward contracts and corresponding currency contracts in respect of a portion of its gold production. These contracts guaranteed a minimum revenue and a substantial participation in the event of higher prices prevailing. During the current quarter, the last of these contracts matured and were closed. At 31 December 1987 the company had no forward contracts or forward currency contracts.

**DIVIDEND**
No interim dividend has been declared for the six months ended 31 December 1987.

On behalf of the Board
K. W. MAXWELL
W. P. CONN *Directors*

## H. J. Joel

H. J. Joel Gold Mining Company Limited
Registration Number 85/01995/06
Issued capital: R709 283.67
*(Divided into 70 928 367 shares of one cent each)*

| PROGRESS REPORT *(Unaudited)* | Quarter ended 31.12.87 R000 | Quarter ended 30.09.87 R000 | Six months ended 31.12.87 R000 |
|---|---|---|---|
| Monies received on A options for purchase of S shares (Note 1) | 75 572 | — | 75 572 |
| Expenditure on capital account | 50 951 | 54 394 | 105 345 |

**Note 1**
The monies received in respect of the purchase of S shares includes amounts received and banked by 31 December 1987.

**SHAFTS**
No 3 Shaft has reached the final depth of 1 038 metres (1 008 metres) below collar and stripping of this shaft prior to equipping has commenced. The depth of No. 4 Shaft remains at 948 metres while 90 level station is being developed.

**DEVELOPMENT**
A total of 1 898 metres was developed during the quarter (823 metres) and the progressive advance is 4 317 metres (2 419 metres).
Development on 60 Level has advanced a total of 2 471 metres (1 492 metres) of which 445 are on the VS5 Beatrix Reef.
*On 70 Level, excavation of the intermediate pump station continues on schedule while the main access roadway has experienced some delay due to water intersections.*
Station development on the 90 and 95 Levels together with the No. 3 Shaft-bottom development for the spillage arrangements has advanced to a total of 832 metres (150 metres).

**SAMPLING RESULTS**
193 Metres of reef development were sampled during the quarter at an average reef width of 36 centimetres and a gold grade of 28,7 grams per ton or 1 033 centimetre grams per ton. A total of 431 metres of reef development has been sampled at an average reef width of 22 centimetres and a gold grade of 33,9 g/t or 746 cmg/t.

**UNDERGROUND CONSTRUCTION**
On 60 Level construction of the reef tip and the final excavation of the permanent underground workshops are nearing completion.

***TREATMENT PLANT***
Construction of the first module of the metallurgical plant is complete and trial milling of waste rock has commenced.

**SURFACE INFRASTRUCTURE**
Construction of the administration block, the assay office, the main stores and industrial changehouse is in progress.

**HOUSING**
129 houses (107 houses) have been completed in Virginia. The next phase of 40 houses will commence in July 1988.

On behalf of the Board
K. W MAXWELL
W. P CONN *Directors*

## Elsburg

Elsburg Gold Mining Company Limited
Registration Number 65/10725/06
Issued capital: R30 203 000
*(Divided into 30 203 000 shares of R1 each)*

Shareholders are advised to study the operating results published by Western Areas Gold Mining Company Limited.

On behalf of the Board
K. W. MAXWELL
W. P. CONN *Directors*

Copies of these reports and development and sampling results for Randfontein Estates, Western Areas and Joel are available on request from the offices of:

Barnato Brothers Limited
99 Bishopsgate, London EC2M 3XE, England

19 January 1988

# Estimated level of radon gas deaths doubled

BY CLIVE COOKSON

NATURAL RADIOACTIVE gas which accumulates in buildings is causing 1,500 people a year to die in Britain from lung cancer, according to an estimate by the National Radiological Protection Board.

The board has doubled its estimate made a year ago of the number of deaths caused by the gas, known as radon.

The new figure takes account of increased radon risk estimates by the International Commission on Radiological Protection and the US Committee on the Biological Effects of Ionizing Radiation. Radon levels in Britain are highest in Devon and Cornwall.

Scientists have only recently realised that radon gas causes more cancer in industrial countries than any other source of radation, natural or manufactured.

In the US the Environmental Protection Agency puts the radon death toll at between 5,000 and 20,000 a year.

The problem is proportionately most serious in Sweden, where the radon lung cancer rate is 1,100 a year, according to the country's Institute of Radiation Protection.

The danger from radon can be reduced by preventing the gas getting into buildings. Radon results from the radioactive decay of natural uranium in rocks. It seeps up through the soil and is sucked into buildings, where the gas can build up to levels thousands of times higher than in the air outside. It decays into tiny radioactive particles which stick to the surface of the lungs and can cause lung cancer many years later.

Research by the radiological protection board and the Building Research Establishment in Britain shows that radon levels can be reduced dramatically by sealing floors and increasing under-floor ventilation.

The doubled estimate of the radon death toll in Britain may put political pressure on the Government to expand its £300,000 anti-radon programme launched a year ago. This is concentrating on Devon and Cornwall.

The protection board has set a domestic radon dose limit of 20 millisieverts per year, similar to the maximum radiation dose proposed for workers in the nuclear industry. The board estimates that 20,000 homes have radon levels above that limit and is measuring radon in houses in Devon and Cornwall.

Cornwall County Council is monitoring schools, offices and libraries. Mr Peter Richards, who runs the council's radon programme, says 244 buildings have been surveyed so far, and 113 have such high levels of radiation that they contravene the Health and Safety at Work Act. Most of these buildings are schools. Cornwall County Council is starting a programme to reduce radon levels in schools by pumping the gas from under the floors.

The protection board estimates that there are about a thousand teachers, shop and office staff in south-west England who must be regarded as a new class of radiation worker requiring the same radiological attention as radiation workers in the nuclear industry. Cornwall County Council is about to start an experiment in which teachers and office workers will wear radiation dosemeters like nuclear workers.

Mr Michael O'Riordan, the protection board's leading radon export said that although pupils were vulnerable because of their youth, teachers spent more time inside schools and were more likely to smoke. "If we take care of the teachers under the occupational safety regulations we will have taken care of the pupils too."

Technology, Page 12.

# Quality essential, say industrialists

BY MICHAEL SKAPINKER

BRITISH industrialists believe that quality of goods and services is an essential ingredient of corporate success. However, many have not appointed a senior manager to deal with the issue, according to a Mori poll published yesterday.

Mr Robert Worcester, Mori's chairman, told a Confederation of British Industry conference that when 99 senior UK industrialists were asked what factors they took into account when evaluating companies, quality of products and services led the list.

He said quality was mentioned more often than issues such as record of growth and profits and quality of management.

Mr Worcester said two-thirds of the executives surveyed said it was essential for companies to have a clearly defined strategy on quality. Another 27 per cent said the creation of such a strategy was important.

However, 44 per cent of the industrialists admitted that they had not appointed a senior executive or manager to take charge of quality issues. Of those who had, three-quarters had a director responsible for quality, and a quarter had a senior manager responsible. In 17 per cent of the companies surveyed, quality was the responsibility of the chairman, chief executive or managing director.

The poll was commissioned by Crosby Associates, a UK organisation associated with Mr Philip Crosby, an American proponent of the "zero defects" standard.

Mr John Butcher, the Industry Minister, told the conference that today's customers were more discerning than ever before.



Philip Coggan on former whizzkid Oliver Jessel's latest acquisition

# Pouring oil on a troubled career

IT WAS a news item straight from the early 1970s. On Monday, a company 50 per cent owned by Mr Oliver Jessel announced that it had acquired management control of Falcon Resources, the oil and gas company.

Back in the days when Jessel Securities was a £500m industrial and financial empire, similar announcements seemed to appear every week. But the group disintegrated in the 1974 crash and Mr Jessel is not seeking a return to the limelight.

"I don't want to talk about it," he said yesterday. "It's not my comeback." Mr Jessel's private company, Venturelarge, will be converting its £480,000 loan into Falcon equity, but the plan is to bring in some experienced oil men to run the business.

Mr Jessel's partner in Venturelarge is a young financier called Mr Jonathan Rosen, who runs Standard Financial, a small corporate finance company. The pair have also collaborated in underwriting part of the recent rights issue for Barbican Holdings.

In his heyday, Mr Jessel was responsible for employing several young men who went on to be prominent City figures such as Mr Mark St Giles of GT Management and Mr Philip Ling of Haden MacLellan. He was insisting yesterday that all questions about the Falcon stake be addressed to Mr Rosen.

At the height of his fame in the early seventies, Mr Jessel was much less reticent. Then he was one of a number of City whizzkids who promised to shake up badly run companies.

Terry Kirk

Oliver Jessel in his heyday in the early 1970s

He derided the inefficiency of British industry, which was caused, as he saw it, by "broken down and demoralised" boards and "drunken and senile" managements.

In the same 1972 interview, he outlined the reasons why he felt companies failed. "Lack of sense of timing, of entrepreneurial approach, of economy, of management," he said.

Once Mr Jessel had so incautiously climbed to the end of the tree branch, it was only natural that nemesis should choose to saw it off.

At the end of 1973, he presided over a complex company with £540m of assets. These included wholly-owned subsidiaries in areas as diverse as owning ships and sugar estates, and substantial equity stakes in companies such as the steel group Johnson and Firth Brown and banking group G R Dawes.

Within a year, the financial tapestry was unravelling fast.

The problems began at the company's insurance subsidiary, London Indemnity. The 1973-74 stock market crash helped spread the difficulties to the rest of the group since Jessel had borrowed heavily to finance the purchase of equity holdings. The end came in December 1975 when Jessel Securities went into liquidation.

"The avalanche hit everybody," recalls Mr Jessel, who feels that the 1974 crash was totally different in character to Black Monday and its recent aftermath. "In comparison, October was just a modest readjustment," he says.

"At the time of the 1974 crash," he said, "it was hard to see why anyone would buy a British export again. Dividends were limited by the Government; interest rates went through the roof; inflation was rising and no one knew how to stop it; and foreign exchange controls meant overseas investment was a nightmare."

Despite his occasional outburst, Mr Jessel was generally seen as one of the more likeable of the early 1970s wheeler dealers. Mr Philip Ling, one of his "old boys," certainly recalls him with affection.

"He was very charming, witty and amusing," says Mr Ling, who has built up his own engineering mini-conglomerate. "He didn't deserve the crash. I wonder how many current City businesses would go the same way if the 1974 downturn was repeated in its severity."

# Accountants urged to report fraudulent clients more often

BY RICHARD WATERS

AUDITORS HAVE been encouraged by their professional bodies to report their suspicions of fraud and other illegal acts in client companies more often than they do at present.

This represents the first significant admission by the accountancy profession, after three years of heavy political pressure, that auditors should accept wider responsibility in helping bring fraudsters to book.

However, some senior accountants warn that this advice does not go far enough. The technical partner of one top accountancy firm said yesterday that a change in the law was needed similar to that which already requires auditors of banks and building societies to report fears of fraud.

The change of heart comes in the form of draft guidance from the Auditing Practices Committee, members of which are the six main accountancy bodies. The guidance, which is not likely to come into force until the end of this year, has received the support of the Trade and Industry Department and is designed to represent "best practice" immediately.

In spite of political pressure, auditors have consistently complained that the common law duty of confidentiality makes it difficult for them to report suspicions to the police or the DTI's companies' investigation division. Only the public interest takes precedence over confidentiality, they say.

The Auditing Practices Committee has now moved to overcome this deadlock by issuing a broad definition of what "public interest" means. Mr Matthew Patient, chairman of the committee, said yesterday that defining it at all is "something we have rather been hoping not to face up to".

Auditors will have to consider when assessing the public interest such issues as the extent to which the public will be affected and the likelihood of repetition together with "the gravity of the matter".

In a second important development, illegal acts other than fraud have been included in the auditor's area of responsibility for the first time. However, only matters which had a direct bearing on a company's financial statements should prompt auditors to act, said Mr Patient.

For instance, illegal dumping of chemicals should concern auditors if there were a danger of the company incurring costs in future as a result, he said.

"You do it, but you feel a bit sneaky about it," said a senior partner of one large firm.

# Guinness labels shares purchase letter 'mystery'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A LETTER indicating that Guinness had been involved in the secret purchase of 10m Distillers shares was "something of a mystery to Guinness," the company's counsel said in the High Court yesterday.

The letter had been written on April 15, 1986, to Mr Thomas Ward, then a Guinness director, by a Swiss company, Pipetec.

It confirmed a £73.6m purchase of Distillers shares "upon instructions from yourself" and referred to undertakings by Guinness to repurchase the shares and pay costs and other expenses to Pipetec.

Mr David Oliver, QC, for Guinness, said Guinness's only involvement was that it had lent the purchase price for the shares to Cazenove, which had been acting for Pipetec.

Cazenove had been "understandably nervous" that the cash would not be provided in time by Bank Leu, a Swiss bank which was funding the purchase for Pipetec, its subsidiary.

Cazenove had approached Morgan Grenfell, then Guinness's financial adviser, for a loan. Morgan Grenfell had been unable to help, so Guinness had made the loan.

Mr Oliver said that, in the event, Bank Leu had provided the money, so that lent by Guinness had been surplus to requirements and had been repaid to Guinness the next day.

Mr Oliver acknowledged that, if the Pipetec letter reflected an arrangement entered into by Mr Ward, it was not consistent with a statement that Guinness

**MR ERNEST SAUNDERS, the former chairman and chief executive of Guinness, has been refused an order suspending the High Court action in which the company is suing him and Mr Thomas Ward, a former Guinness director, over a £5.2m payment to Mr Ward.**

**However, Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, said yesterday that the trial of the civil action should not take place before Mr Saunders' prosecution on criminal charges arising out of the Guinness affair.**

**The judge said any future pre-trial hearings in Guinness's action should be held in private. Regranted Mr Saunders' application that his counterclaim against Guinness for damages for wrongful dismissal should be suspended.**

**In a brief public statement after a private court hearing, the judge said Mr Saunders was concerned that publicity in the civil action might prejudice his fair trial on the criminal charges.**

**There was "a large degree of overlap" between the civil and criminal cases, the judge said.**

had not been involved in the transaction, made by Mr Olivier Roux, then Guinness's finance director, in a letter to the City Takeover Panel on April 17, 1986.

Mr Roux's letter had been, "if not positively untrue, certainly misleading," Mr Oliver said.

Details about the share purchase have come to light in Guinness's challenge to the Takeover Panel's decision that Guinness was involved in a concert party with either Pipetec or Bank Leu in the purchase of the shares for 705p a share – 75p above the cash alternative offered by Guinness in its takeover bid for Distillers.

Guinness complains that the panel reached its decision without taking evidence from key witnesses – notably Mr Ward and representatives of Pipetec and Bank Leu.

Mr Oliver agreed with Lord Justice Watkins that Mr Roux's letter had put the panel off the scent. He said that, had it been known that Guinness was funding the purchase – even overnight – for Cazenove, the panel might at that stage have instituted a very much more rigorous investigation.

Mr Oliver read a letter written by Guinness to the panel in August in which the company said that the purported agreement in the Pipetec letter had never been agreed to by the Guinness board, which had been unaware of the matter until Bank Leu sent it a copy of the Pipetec letter last January.

If, as appeared, Mr Ward had signed a duplicate of that letter confirming, on Guinness's behalf, acceptance of its terms, he had done so without Guinness's authority and the company was not bound by his signature.

The hearing continues today.

# Football stakes to be limited

BY PHILIP COGGAN

FOOTBALL LEAGUE chairmen yesterday agreed to prohibit individuals from holding significant interests in more than one soccer club.

However, the league stopped short of making the rule retrospective. This means that Mr Robert Maxwell, the publisher, can keep, if he wishes, his existing interests in Derby, where he is chairman, and Oxford, where his son Kevin is chairman.

The league called an extraordinary general meeting of its chairmen after BPCC, Mr Maxwell's printing company, agreed to buy Watford football club from pop star Elton John. That deal raised great concern about the extent of Mr Maxwell's football interests. The new regulation would prevent Mr Maxwell buying Watford unless he sold off his Derby and Oxford interests.

The amended regulation 80 states that a person and his or her relatives and/or business associates can have interests in only one club, plus a maximum of 10 per cent of the shares of a second club.

Meanwhile, Mr Hans Bangerter, the general secretary of Uefa, soccer's European governing body, said yesterday that the ban on English football clubs playing in Europe would not be lifted, at least until May.

The ban was imposed after the Belgian Heysel stadium tragedy, in which 39 fans were killed after a riot by Liverpool supporters. English authorities had hoped the ban would be lifted at a Uefa meeting today.

# Decline at Equity and Law

BY ERIC SHORT

EQUITY and Law, the life company recently acquired by Compagnie du Midi, the French insurance and industrial holding company, is having problems maintaining its competitive position in the UK life assurance and pensions market.

The company yesterday reported a near 5 per cent fall in its new life and pensions business premiums in last year compared with the previous year.

This result is particularly disappointing given that overall new business growth by life companies in 1987 continued to be extremely buoyant.

Figures issued last week by the Association of British Insurers showed that new premiums last year were 24 per cent higher than in 1986.

Mr Duncan Kerr, chief actuary of Equity and Law, accepted that there were certain adverse factors in 1987 affecting the company's new business.

The company operates solely through registered insurance brokers and other independent financial advisers. It is one of the life companies committed to the Campaign for Independent Financial Advisers.

Mr Kerr said the company was hit in the early part of the year by certain intermediaries switching to other life companies with the intention of becoming representatives of that company under the polarisation requirements of the financial services legislation.

Business in the second half of the year was affected by the uncertainties over the takeover battle for the company.

Mr Kerr said the company had taken strong measures to reclaim lost ground in the life and pensions market.

The company was in a much stronger financial situation following the takeover. The sales network had been reorganised with the inspectorate force planned to increase by 50 per cent. The product range was being revamped.

Equity and Law, in common with other life companies, will be actively promoting its pension contracts this year as the new pensions environment comes into being.

# Industrial output fell 0.5% in November

By Simon Holberton

THE OUTPUT of British manufacturing industry fell in November but the Government remains confident that the trend is still upward.

Provisional figures released yesterday by the Central Statistical Office showed that manufacturing output fell by 0.5 per cent in November compared with October's rise of 1.4 per cent. However, Whitehall officials said monthly output figures were erratic and that they saw no evidence of a slowing in manufacturing output.

In the three months to November it was 6 per cent higher than a year ago and officials said manufacturing output was growing at an underlying trend rate of 6½ per cent. At the end of November, manufacturing output was growing at its fastest rate since 1973.

The City has been waiting for some sign of the economy slowing following the October 19 collapse in share prices. The fall in December retail sales, reported earlier this week, appeared to suggest the rate of growth in consumers' expenditure may be moderating.

Independent economists said yesterday's figures were disappointing – their expectation was for a small rise in output – but news of the November fall appeared to have little effect on financial markets. Some thought the November figures may not have accurately measured output as last week's employment data showed record rates of overtime being worked.

Separately released figures by the Employment Department on unit labour costs and productivity when taken with the output data did raise some concerns in the market over prospects for inflation, given that output and productivity are forecast to slow, but wage pressures to increase.

Manufacturing unit wage and salary costs were up 2.4 per cent in November compared with a year ago. Unit labour costs have been creeping up during the year and were 1.6 per cent higher in the three months to the end of November compared with the same period a year ago, while in the three months to the end of October they were 0.5 per cent higher.

The figures also show a slight moderation in the rate of growth of manufacturing output per head, or productivity. In the year to November productivity rose 5.5 per cent against October's 7 per cent gain. In the three months to the end of November productivity grew at 6.6 per cent compared with 7.9 per cent in the three months to the end of October.

The CSO figures showed that total industrial production was up 3.7 per cent in November compared with a year ago.

Output of the coal and oil and gas industries was 2 per cent lower in November compared with a year ago.

In the manufacturing sector output of paper, printing and publishing was 11½ per cent higher than a year ago, while, motor vehicles and parts were up 11 per cent, "other" industries, such as plastics, packaging and furniture, up 11 per cent, and metals, 10 per cent higher.

## Raymond Snoddy on a bill which would shake up commercial radio

# Fewer rules on Britain's airwaves

THE PLANS for an enormous expansion in commercial radio in the UK announced yesterday by Mr Douglas Hurd, the Home Secretary, represent the biggest shake-up in the industry's history.

The Government plans to introduce a bill this autumn to create several hundred local and community stations and three national commercial stations.

"All these services will be free of the existing constricting statutory requirements which have applied to independent local radio. They will instead be subject to light regulation designed to protect the consumer rather than direct the broadcaster," Mr Hurd said in a Commons written answer.

For the first time in Britain, and possibly the world, radio frequencies will be sold to the highest bidder. The Government has decided to put out the three national commercial channels to competitive tender, although this will not apply to the local stations.

Potential applicants for national channels will first have to pass a test showing that they plan to offer a variety of programmes and something new to the consumer, rather than a solid diet of pop music 24 hours a day.

Any company or consortium which passes the "variety test" will then be asked to deposit sealed envelopes containing their bids with a newly-created Radio Authority which will take over the regulation of commercial radio from the Independent Broadcasting Authority.

Only European Community nationals will be able to control the new stations and newspaper groups will be limited to a small stake – probably around 20 per cent – in radio stations and vice versa.

The Government also plans to limit the concentration of power in commercial radio. No group will be able to control more than one national station or more than six local stations.

The key test which stations will have to pass, to obtain a licence to broadcast, is that of widening the range of consumer choice. They will have to live up to their promises to their audiences if they want to keep those licences," Mr Hurd said.

Douglas Hurd: proposes to sell radio franchises

The existing independent local radio stations "will be given the freedom to develop new styles of broadcasting which they have sought."

A wide range of community stations is envisaged – everything from specialist music channels to radio stations for Greek Cypriots.

The new authority would decide on the number of new services and their scale although that would partly depend on local demand. The Community Radio Association, in welcoming yesterday's announcement, said it believed there would be at least 100 bids for licences from non-commercial community consortia.

At the IBA Mr Peter Baldwin, director of radio, expressed disappointment at the Government decision. In response to the radio green paper published last year the IBA had put forward its own regime for regulation "with a light touch" but had opposed the auctioning of licences.

Yesterday Mr Baldwin said the Government had told him the IBA would have its hands too full with television and satellite regulation to concentrate on radio.

"I discount that. The Ministry of Defence has its hands full with the navy and the air force but it doesn't have to give away the army," said Mr Baldwin, a former senior army officer.

The Government has also made clear that the IBA will be able to tender on the open market for the supply of specialist radio services such as spectrum management and provision of transmitters.

Large ILR stations such as Capital, which holds the London music and entertainment franchise, welcomed yesterday's announcement and Mr Nigel Walmsley, the Capital managing director, said the company would, in some form, bid for a national channel.

Mr Norman Bilton, managing director of Radio Wyvern in Worcester, was more cautious. After three years of solid losses the station expects to make £100,000 profit this year.

"I hope the new competition doesn't destroy the majority of ILR stations. Life for the small and medium stations is going to be tough," Mr Bilton said.

# Building societies attract £1bn

BY RICHARD WATERS

THE STOCK MARKET crash continued to have a profound effect on building society receipts in December, helping to improve the year's figures after a poor start.

Private investors who remained wary of the stock market put just over £1bn more into societies than they took out. This was only £60m less than the November total and meant net receipts for the last three months of the year equalled receipts for the previous six months.

During the year, societies received a net £7.5bn from retail savers, up from £6bn the previous year, but well below 1984's record of £8.6bn.

Mortgage advances fell by 3 per cent last year, reflecting the success of banks and other lenders in taking business away from societies. By the summer – the last date for which accurate figures are available – societies' market share had sunk towards 50 per cent.

According to Mr John Bayliss, general manager of Abbey National, the country's second largest society, the decline in 1987 had to be seen in the context of a huge growth of societies' mortgage lending in 1986. When viewed in this light, last year's advances of £35bn were well ahead of the £26bn loaned in 1985.

Advances in December were 10 per cent up on the previous year and commitments to lend up 24 per cent. Mr Mark Boleat, director general of the Building Societies Association, said: "There are now clear signs that societies are recovering much of the market share that they lost in the first part of 1987."

At a time when building societies have been allowed to increase their reliance on non-retail funds from 20 per cent to 40 per cent of liabilities, funds raised in this way were just over £3bn in 1987, compared with £6bn in 1986.

This reflects in part the success of societies in attracting retail funds, leaving them less reliant on other types of finance. It is also due, however, to a lower appetite in the market for building society debt, following a number of large issues in the previous year.

# Easier capital rules welcomed

BY RICHARD WATERS

BUILDING SOCIETIES yesterday welcomed a change in regulations which will help to ease pressure on their capital resources as they develop into new areas of business.

It also makes it less likely that societies will feel immediate pressure to convert themselves into public companies to have greater access to capital.

The change, announced by the Building Societies Commission on Monday, allows them to include subordinated loan stock when calculating their capital.

Until now, they have only been able to count reserves as capital, since as mutual institutions they have no access to equity finance.

This means their capital – and hence their level of business – has been limited by their ability to generate funds internally.

"It gives us much greater flexibility," said Mr Tim Melville-Ross, chief executive of Nationwide Anglia, the country's third largest society, echoing the sentiments of other large societies.

Two events are likely to put pressure on societies' capital. The first is expansion into new areas of business, such as unsecured lending and insurance underwriting. This is likely to follow the review of building societies' powers currently under way at the commission and due for completion in the next month.

The second reason for extra capital is likely to be the tougher capital regime that societies will find themselves in by 1992. At the moment, their mortgage lending requires only around 2 per cent capital backing – although most societies comfortably exceed this. By 1992, this backing will have to rise to 4 per cent, in line with the capital requirements for mortgage lending of other financial institutions proposed at the end of last year.

The regulations published this week are significantly more relaxed than draft proposals from the commission last year. Changes made to the proposals following consultations with building societies include:

- Up to a third of total capital can be in the form of subordinated debt, compared with 20 per cent previously proposed.
- Subordinated debt will count in full in calculating capital. Previously, a discount of 50 per cent had been suggested.
- Societies will be able to raise debt at fixed interest rates, rather than only variable rates, as proposed before.

# The rising cost of true love

By Feona McEwan

YOUNG COUPLES in Britain embarking on marriage for the first time are spending more on their weddings than ever, according to a report published yesterday.

The average cost of tying the knot is £4,279, a rise of 13 per cent compared with a year ago.

One of the most expensive items is the bride's fairy-tale wedding gown. On average, brides-to-be splash out £365 to look their best.

The engagement ring is another major outlay at about £285.

Beyond the wedding there is the increasingly costly process of setting up home.

The 84 per cent of newlyweds who buy their own house or flat part with £35,000 for the privilege, a rise of 20 per cent in a year.

Household furnishings ~~absorb a further £4500.~~

The figures are revealed in a survey of 1,455 British newlyweds by Wedding and Home magazine.

The typical bride-to-be is 23 and her fiance 25. Their engagement lasts 20 months.

Rising divorce rates appear to have done little to dampen first-timer enthusiasm. Couples still opt to mark their marriage with a big occasion.

Formality and tradition are back in vogue. Most grooms choose to wear a morning suit rather than a lounge suit - 43 per cent opt for the full regalia compared with 30 per cent who prefer lounge suits, a drop of 8 percentage points.

More men have taken to wearing wedding rings – although how permanent the habit is goes unreported – with the figure now reaching 85 per cent.

His wedding band costs about £75 and hers £78.

The passage of love runs to different timetables around the country.

Londoners tend to get married later and lavish most on their big day, followed by Northern Ireland.

Couples in the east have the cheapest weddings.

The Scots tend to marry younger, the Welsh are keener on registry offices.

Yorkshire men are more partial to wedding rings than other men and Lancastrians take longest to reach the altar with engagements of 23 months.

According to the findings, most couples still seal their tryst traditionally, with nine out of 10 choosing a church ceremony, a rise of 5 percentage points.

Registry office weddings are marginally down at 5 per cent.

Civil ceremonies followed by church blessings have dropped from 5 to 2 per cent.

Recording the big day is a top priority. Nearly all couples employ a professional photographer at a cost of £170 while video recordings are increasingly popular – 49 per cent opt for this.

Just over half the couples interviewed went abroad for their honeymoon, with Greece as the top romantic destination followed by Spain and the Balearic Islands.

France attracts 3 per cent of British honeymooners and the US 2 per cent.

To fund their new home, most couples take the traditional route of obtaining a mortgage from a building society – about 77 per cent opt for this, while 12 per cent go to the bank and 6 per cent turn to an insurance company.

Most couples start out with savings of £5000 in a building society.

# Holiday bookings rise as price war hots up

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

THE PRICE WAR among package tour holiday operators has led to a buoyant level of booking for this summer's sunshine holidays, the operators and travel agents said yesterday.

The price cuts, caused by sluggish demand in the months before Christmas, have led to record numbers of holidays being sold this month.

Some tour operators warned of a possible holiday shortage.

The buoyancy of sales this month reflected the disappointing start to the holiday buying season last autumn.

Consumers were reluctant to book early because of the widespread availability of late bargains last summer as well as some uncertainty about economic conditions following the fall in financial markets.

This led the leading tour operators to announce special price reductions for holidays booked in January. Travel agents added further discounts.

The International Leisure Group, the main holiday company of which is Intasun, said yesterday it had received 250,000 firm bookings or options to buy holidays last week alone.

Mr Roger Heape, Intasun managing director, said: "This was about 50 per cent up on the same week last year and some 5 to 10 per cent up on the same week in January 1986."

The trade was sceptical about ILG's figures, pointing out that the corresponding week last year was hit by bad weather.

Thomson Holidays, the market leader, said bookings in January were well up on both the same time last year and the pre-Christmas level of trade. However, Mr Charles Newbold, managing director, said the overall market for holidays was still marginally behind last year.

Tour operators said they did not intend offering late discounts again this year but some observers expected further price cuts in the spring.

# Takeshita to visit Britain before summit

BY Peter Montagnon, World Trade Editor

MR NOBORU TAKESHITA, Japan's Prime Minister, has accepted an invitation to visit the UK in the run up to the Toronto economic summit in June.

It will be his first meeting with Mrs Margaret Thatcher since taking office late last year, although the two leaders have met before when Mr Takeshita was Finance Minister.

Acceptance of the invitation was conveyed to Downing Street yesterday by Mr Hajime Tamura, Japan's Trade Minister, who is on a visit to Britain and spent half an hour discussing Anglo-Japanese trade relations with the Prime Minister.

Mrs Thatcher told him Japan still had a long way to go in improving its balance of trade with the UK. Japan's exports to Britain last year were worth £5.6bn against UK sales to Japan of £1.4bn.

However, Mrs Thatcher also welcomed measures taken by Japan to open up its economy, citing particularly agreement on the involvement of Cable and Wireless in tendering for Japnese international telecommunications services and the decision to grant four British securities firms seats on the Tokyo Stock Exchange.

Mr Tamura told her Japan was intent on reforming its liquor tax system which UK manufacturers argue discriminates against Scotch whisky.

## Leverhulme Trust

An article in Monday's FT about research into why some cities succeed stated wrongly that a £260,000 grant was being made by the Nuffield Foundation to Liverpool University. The grant is from the Leverhulme Trust.

# Call to cut army costs

BY LYNTON McLAIN

THE FOREIGN exchange cost of keeping British forces in West Germany is more than £1bn and there is scope for better financial and management control and for further cost cuts, the National Audit Office said in a report yesterday.

For 1987-88 the direct cost of keeping those forces in West Germany rather than at home is about £255m.

The Defence Ministry and the Foreign Office were urged to reconsider increased peace-time support from the West German Government for British forces West in Germany. Also, "value for money targets set for British forces in Germany should be more wide-ranging and demanding." The audit office said managers of the British forces needed an incentive to deliver improved efficiency.

The audit office also called on the MoD to consider the scope for further administrative rationalistion at the Rheindahlen headquarters of British forces in West Germany.

The MoD should try to identify fully the cost implications of permitting service personnel to have their families accompany them on postings to West Germany.

*Ministry of Defence: costs and financial control of British Forces Germany. HMSO. £5.20.*

# Proposals welcomed to curb misuse of alcohol

BY LISA WOOD

MEASURES recommended by the Government to help tackle the growing problem of alcohol misuse were welcomed yesterday by a broad spectrum of interests.

Action on Alcohol Abuse, a charity, said the recommendations were acceptable while the Brewers Society said some were in line with steps it was already taking.

The main proposals, outlined by Mr John Wakeham, chairman of the Ministerial Group on Alcohol Misuse, include:

- Tightening the offence of selling alcohol to under-age drinkers and increasing penalties for those found guilty of doing so from £100 to £400.
- Making it illegal for wholesalers to sell alcohol to people under 18, a new offence.
- Requiring the alcoholic strength of pre-packaged and dispensed drinks to be clearly shown, a new regulation.
- Requesting the BBC and IBA to review the way alcohol is presented to viewers.
- Requesting the IBA and the Advertising Standards Authority, in co-operation with the drinks industry, to take a fresh look at advertising codes of practice.
- Encouraging the drinks industry to increase promotion of low and non-alcoholic beers and wines.

The measures, some of which will be inserted into the Government's Licensing Bill, are weaker than recommendations put forward last year by the Masham Committee.

The Advertising Association, which represents the advertising industry, said yesterday it was pleased the Wakeham Committee had looked at its evidence on advertising and alcoholic consumption in which it claimed advertising did not increase consumption

# Factors' body reports 24% rise in business

BY RALPH ATKINS

THE VOLUME of business reported by members of the Association of British Factors increased by 24 per cent last year, according to figures published yesterday.

The association said its nine members, which represent more than 90 per cent of the factoring market, saw business rise a record £1.4bn to £7.08bn.

Domestic factoring increased by 21 per cent while international business rose by 9 per cent.

Factoring companies provide services for clients which include making money available against a proportion of a client's sales invoices, maintaining sales ledgers, assessing the credit worthiness of clients' customers, dispatching statements, collecting debts and assuming 100 per cent of the debt risk.

Mr Tom Hutson, chairman of the association, said: "Accountants, bankers and other advisers are recognising and recommending the benefits of factoring more than ever before, and this is reflected in our ever increasing business volume."

The number of clients served by members of the association increased from 4,826 in 1986 to 5,406 in 1987.

The trend towards clients with a turnover of more than £1m continued while the proportion of clients with a turnover of less than £500,000 fell from 52 per cent to 51 per cent.

The gross value of bad debts absorbed by the factors on behalf of clients rose 18 per cent to £3.12bn in 1987. But the number of UK debtor accounts subject to legal action at the year end fell by almost 7 per cent compared to 1986.

# Lawson stresses moral basis for tax cuts

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor, yesterday sought to underscore the moral and philosophical foundation for his tax-cutting ambitions, arguing that such policies reflected a decisive change in the "tide of ideas" in Britain.

In a speech designed to emphasise the importance of ideas in political life, Mr Lawson said the principles and policies of the present government represented a radical departure from the post-war consensus.

That change signalled an acceptance that progress and prosperity were best secured through choice and the market rather than through "big government". Belief in egalitarianism had meanwhile been replaced by conviction on incentive and opportunity, he told the Centre for Policy Studies.

As a result, nine years of the Thatcher Government had "changed the face of Britain". The shift had been endorsed overwhelmingly in two elections and had been reinforced by the spread of ownership – in housing and shares.

"The spread of personal ownership is in harmony with the deepest instincts of the British people. Few changes have done more to create one nation", he said.

The "New Britain" created by the Conservatives was also based on a shift in the tide of ideas towards acceptance of the "basic human instinct of self-interest", he added. The economic benefits of capitalism had long been accepted, but many people had recoiled from what they thought morally dubious.

The point that had been missed, however, was that "a society based on freedom is inherently stronger, and healthier, than a society based on state coercion". While capitalism embraced the basic instincts of self-improvement and self-interest, neither need lead to selfishness.

"It may be no coincidence that since 1979 giving to charity has doubled in real terms", Mr Lawson said.

Nor was it in any way immoral for the state to take less from the citizen by way of taxes. On the moral plane, those who worked in government were no more immune from self-interest than others.

On a practical plane, a lower burden of taxation was an essential element in developing the "enterprise culture".

The Government challenge now was to take this change into areas where they were still too frequently absent.

# Thatcher declines to show shadow of a smile...

THE THATCHER physiognomy — the face that launched a thousand privatisations — seemed to be the subject of intense interest in the Commons yesterday in the run-up to the much heralded debate on the Labour motion attacking the Government's record on the National Health Service.

A new Liberal MP, Ronnie Fearn, asked the Prime Minister a question about tourism and added, plaintively: "When she replies could she smile? I have been here seven months and I have never seen her smile yet."

In fact the lady does occasionally permit a wintry smile to cross her face and there is sometimes a predatory, menacing grin of triumph when she has just vanquished a hostile questioner. On this occasion it was impossible to judge her reaction as she turned her back on the press gallery when she replied to Mr Fearn.

There was certainly the need for some cheer on the Tory back benches after the rough treatment their party has been getting in the media over the state of the NHS.

A little later Robin Cook, Labour's Health and Social Security spokesman, mounted a savage and highly effective onslaught on the Government over the state of the NHS. He too was fascinated by the Thatcher countenance.

PARLIAMENTARY SKETCH

He and his colleagues could study it from the Opposition benches, an advantage denied to the Tories who sit behind her. They had watched her closely as she continually replied to Labour attacks by reciting statistics showing extra spending on the health service under her Government.

"She does not do it with pride or relish," he claimed. "She does it with self-confident complacency."

The fact was that she disliked the NHS precisely because it treated everyone equally, regardless of income, he added. She was even more annoyed that the service was actually popular because of this.

The Labour spokesman also handed out some brutal treatment to Tory backbenchers including Sir Rhodes Boyson and Norman Tebbit.

Tebbit, the former Tory Party chairman who has taken on several directorships since returning to the back benches, came in for a harsh tongue-lashing.

According to Mr Cook, Tebbit had suddenly discovered that it was the surgeons who were to blame for the deficiencies of the NHS because too many of them were moonlighting.

"I do bow to the Rt Hon Gentleman's superior knowledge of moonlighting," he observed.

But Mr Tebbit, eventually to counter-attack, explained that Mr Cook had misunderstood his speech. He thought that Mr Cook might benefit from a little moonlighting and a little less moonshine.

But it was John Moore, the Social Services Secretary, who was Mr Cook's real prey. The ambitious and thrusting Cabinet minister has recently had a long spell in hospital and since his return to Whitehall has come in for some flak from his own backbenchers about the handling of the health service issue.

Mr Cook, after welcoming him back and expressing his pleasure at his return to health, quickly got to work with his scalpel. He believed that Mr Moore was now being fingered as the culprit for the bad publicity the Government was receiving on this issue.

This was a crucial speech for Mr Moore but he seemed to find it heavy going against frequent heckling from the Opposition. There were impatient groans from Labour MPs as he once again recited familiar statistics about the Government's record on the NHS.

He also was roughly handled over the fact that he had been a private patient during his recent illness.

Mrs Thatcher was not present in the Chamber to support her Secretary of State during the opening of this important debate but no doubt she will get a full report on the proceedings. As Mr Cook said, it would be interesting to see the expression on her face when this happens.

JOHN HUNT

# Health critics attack Moore from all sides

BY TOM LYNCH

CRITICS OF Government health policy on both sides of the Tory party yesterday stepped up the pressure on Mr John Moore, the Social Services Secretary, as he faced a determined Labour challenge over the current state of the National Health Service.

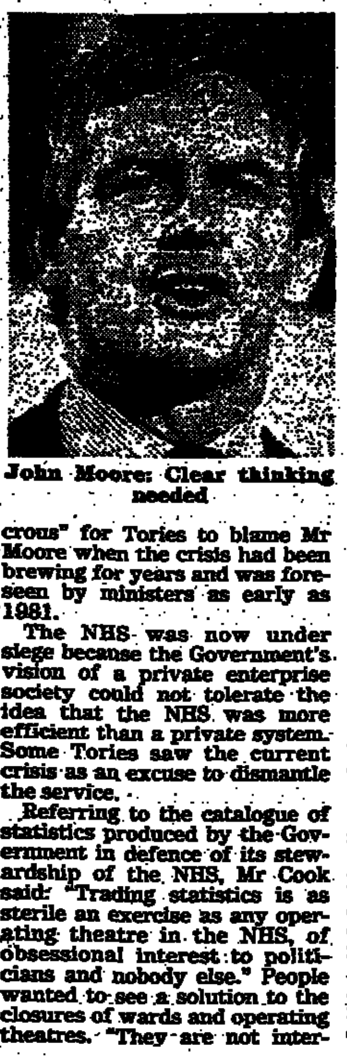
Mr Moore, whose record has been the subject of speculation in recent days, faced a confident attack from Mr Robin Cook, his Labour shadow, who alleged that the current "crisis" in the NHS was being used by some Tories as an excuse to call for it to be scrapped.

The minister's speech, hampered by hoarseness, was received quietly by MPs on his own side of the Chamber, where the doubts of the Tory right were articulated by Mr Norman Tebbit, the former Cabinet minister, warning against a continuing "drip feed" of investment to the NHS without a proper "review of how effectively it was used".

However, Sir Barney Hayhoe, the former Conservative Health Minister, warned that extra resources would have to be made available in the coming financial year and the Government would sustain political damage if it did not announce a decision soon.

Opening the debate on a Labour motion, Mr Cook said the Government had introduced the concept of bankruptcy to the NHS. Health authorities were telling consultants to slow down in their efforts to reduce waiting lists because there was not enough money to pay for operations.

In mock sympathy for the minister, he said it was "indecorous" for Tories to blame Mr Moore when the crisis had been brewing for years and was foreseen by ministers as early as 1981.



John Moore: Clear thinking needed

The NHS was now under siege because the Government's vision of a private enterprise society could not tolerate the idea that the NHS was more efficient than a private system. Some Tories saw the current crisis as an excuse to dismantle the service.

Referring to the catalogue of statistics produced by the Government in defence of its stewardship of the NHS, Mr Cook said: "Trading statistics is as sterile an exercise as any operating theatre in the NHS, of obsessional interest to politicians and nobody else." People wanted to see a solution to the closures of wards and operating theatres. "They are not interested in the past, they want to know what plans there are for the future."

It was "waste on a massive scale" to cancel operations because of the small marginal cost not being available, when the massive capital cost of building and furnishing the operating theatres had been met. Extra money was needed and should take priority over tax cuts.

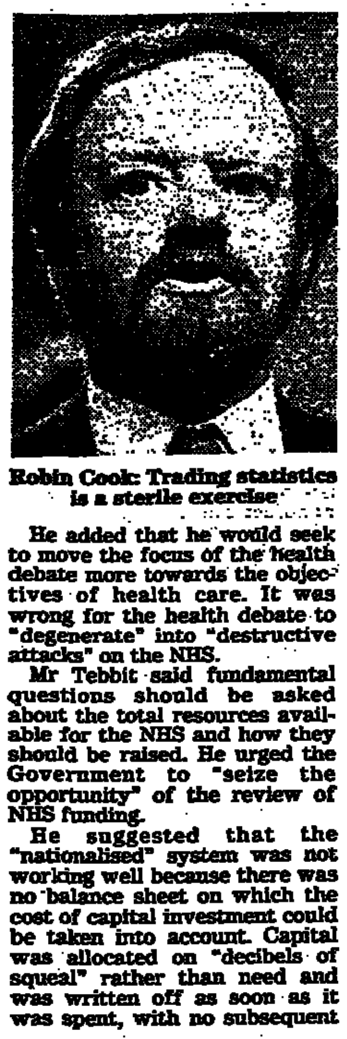
Mr Moore said long-term solutions would not be found in emotion but in clear thinking against the essential background of a successful economy.

He attacked Labour's record from its last period in office, and claimed that the Opposition could not deliver any solution — the Government was spending a higher proportion of a larger gross domestic product than had been spent under Labour.

Mr Moore insisted that his figures were not simply "bald statistics" but reflected what was happening to millions of people.

He acknowledged that demographic changes were adding to demand and said this effect was magnified by advances in technology which enabled more conditions to be treated and by a rise in expectations.

Mr Moore indicated that no more money would be available but said he would encourage more NHS co-operation with the private sector and would concentrate on ensuring that existing resources were used more efficiently. In particular, he questioned why some authorities seemed to perform much less efficiently than others.



Robin Cook: Trading statistics is a sterile exercise

He added that he would seek to move the focus of the health debate more towards the objectives of health care. It was wrong for the health debate to "degenerate" into "destructive attacks" on the NHS.

Mr Tebbit said fundamental questions should be asked about the total resources available for the NHS and how they should be raised. He urged the Government to "seize the opportunity" of the review of NHS funding.

He suggested that the "nationalised" system was not working well because there was no balance sheet on which the cost of capital investment could be taken into account. Capital was allocated on "decibels of squeal" rather than need and was written off as soon as it was spent, with no subsequent questioning about how effectively it was being used.

"If capital comes free it is likely to be badly used. If we do not account efficiently for it, how can we know if the people in the system are doing well or doing badly?

"I would strongly object to a policy of drip-feeding £100m by £100m or £1bn by £1bn to those who complain the loudest." Such a policy would produce a worse service because it was not an efficient way of allocating and using resources.

Sir Barney Hayhoe warned ministers that the longer they delayed the "virtually certain" decision to allocate more funds in the coming financial year, the more they would dissipate the political advantages which would flow from it and damage the morale of those providing health care.

He suggested that up to £0.5bn would be needed to relieve the mounting pressure on so many health authorities and stressed that, because of the reports that money was "washing out of the "attics of the Treasury," anyone who imagined that the next pay award for doctors, nurses and midwives would not exceed 4.5 per cent was living in a dream world.

Sir Barney recalled that when Mr Norman Fowler was Social Services Secretary the Health Department had examined and rejected the idea of providing extra funds for the NHS through an insurance scheme.

Sir Barney welcomed the prospect of increased co-operation between the NHS and the private sector

# Prescott poised to pull out of contest for deputy leadership

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR JOHN PRESCOTT, Labour's energy spokesman, last night appeared poised to announce that he will not force an autumn election for the deputy leadership of his party.

Mr Prescott has come under intense pressure not to begin a potentially divisive campaign by standing against Mr Roy Hattersley, the present deputy leader, at a time when the party is embarking on its two-year policy review.

On Monday, Mr Neil Kinnock, the Labour leader, repeated his view that any contest this year would represent an "unforgiveable distraction" from the party's current task. Mr Prescott's possible candidature was also criticised at a meeting on the same day of the left-wing Tribune group of Labour MPs.

Mr Prescott, the MP for Hull East, last night held talks with his constituency party's management committee and is this morning expected to meet the executive of the National Union of Seamen (NUS), his sponsoring union. He will announce his decision this afternoon at the Commons.

It is thought that, if Mr Prescott decides against a contest, it will be on the basis of a deal finalised yesterday between him and Mr Sam McCluskie, the NUS general secretary, who is anxious to avoid any party split.

John Prescott: to announce a decision today over whether he will contest Labour's deputy leadership

Mr McCluskie, who yesterday met Mr Neil Kinnock, the Labour leader, to discuss the situation, is understood to have acted as a broker between Mr Prescott and the leadership in striking a deal under which the role of the Labour deputy leader will be debated at this year's annual party conference.

In return, Mr Prescott will not stand for election this year, unless Mr Hattersley, in a highly unlikely decision, does not seek re-election.

# PM defends record on children's heart care

BY IVOR OWEN

MRS MARGARET Thatcher, the Prime Minister, in a further defence of the Government's record in providing funds for the NHS, said the number of children's heart operations had "increased enormously" since Labour left office in 1979.

To cheers from the Conservative back benches, she stressed: "For every five that were carried out up to 1979, something like seven or eight are carried out now." Mrs Thatcher again clashed angrily with Mr Neil Kinnock, the Labour leader, who quoted Mr Stephen McMullan, the father of a 22-month-old girl waiting for heart surgery. He denied that he was indulging in party politics in joining with other parents in "fighting for the lives of our children".

The Labour leader asked if the Prime Minister had refused to see Mr McMullan and other parents when they presented a petition at 10 Downing Street because she wished to avoid hearing "home truths like that".

Mrs Thatcher re-affirmed her determination to give Mr Kinnock the figures showing the improvements which had been achieved since 1979 and which he did not want to hear "because they are so good".

She also emphasised that in the case of eight-month-old Matthew Mulhall, which was discussed in the House last week, the consultant concerned had advised the parents that it would be best to allow him to grow so that the largest possible replacement heart valve could be used.

The Prime Minister said the consultant had envisaged that the operation would take place in four to six months' time but these facts had not prevented Matthew's case continuing to be raised.

Mr Roland Boyes (Lab, Houghton and Washington) asked: "Exactly why would you not meet the parents of the children who came to see you yesterday about the urgent and desperate need for heart surgery for their children?"

Mrs Thatcher said she did not normally receive petitions and added that she usually carried out eight to 11 engagements in a day. The Birmingham children's hospital had been the subject of an "excellent debate" in the Commons last Friday.

## Michael Cassell on divergent reaction to the latest Liberal-SDP policy package

# Merger doubts refuse to lay down and die

LIBERAL and Social Democrat leaders yesterday attempted to play down the mutual recriminations, suspicions and doubts of the last few days and tried instead to concentrate on the task of winning maximum support for the merger package agreed on Monday night. They were only partially successful.

The revised policy statement, which forms the final element in the package, was being promoted by both parties as a credible and attractive platform from which the Social and Liberal Democratic party can be launched in March.

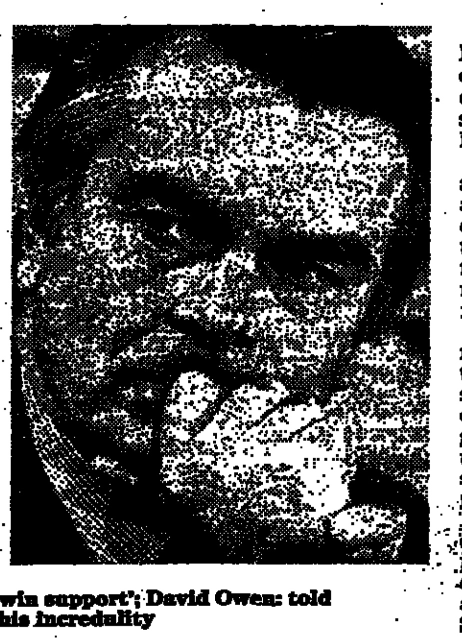
Opponents of the merger were equally quick to condemn the policy document as a compromise stand, forged out of political expediency and lacking in cohesive commitment and credibility.

From the Liberal anti-merger wing, Mr Tony Greaves, who resigned from the negotiations over the choice of name for the new party, said the package represented a "botched-up deal" which included a hidden agenda that had been exposed by the two leaders' original, ill-fated policy statement. It was, he added, "just another act in the pantomime".

Mr Michael Meadowcroft, the former Liberal MP who also resigned from the negotiations, twisted the knife further into Mr Steel, the Liberal leader, by claiming he "never had any judgment" and that his colleagues had "carried him for 10 years".

The agreement was attacked by Mr John Cartwright, the anti-merger SDP MP, as "a classic case of our old friends, fudge and mudge". Mr Edmund Dell, the man called in by Mr Robert Maclennan, the SDP leader, to help rewrite the policy document, said the definition of "fudge and mudge" appeared to be anything that Dr David Owen, the former party leader, could not agree with.

Among supporters of the merger package, Mr Des Wilson, the former Liberal president and a member of the six-man team assembled to salvage the mess left in the wake of the two leaders' own efforts, said the new statement on policy was certain to win the necessary support at this weekend's Liberal assembly in Blackpool.



Des Wilson (left): package 'will win support'; David Owen: told Fleet Street of his incredulity

The new policy stance, he insisted, was not a "fudge" but a statement of where the new party stood and an acknowledgement that "things will be different in three or four years' time". He also refuted suggestions of a "hidden agenda" and added: "I wish it had been hidden, but it was published and the two leaders admitted it was a mistake."

Mr Wilson described the original document as an "aberration" and he accepted that it was now as "dead as John Cleese's parrot". Mr Maclennan preferred later to acknowledge simply that the document was not "being used for the purpose for which it was intended".

As for its Liberal author, Mr Wilson said the party was not about to knock him off his perch on the basis of one, mistaken judgment.

While efforts to marshal support for the deal were stepped up, a less relevant but nevertheless intriguing analysis of the events of Monday night – in which Mr Maclennan rushed to the Limehouse home of Dr Owen in an abortive attempt to kiss and make up – was under way.

Mr John Grant, yet another negotiator who had also gone the way of several Liberal negotiating colleagues, claimed yesterday that he had arranged the dramatic meeting at Narrow Street – the historic setting for the birth of the SDP.

He said he had fixed the meeting on the understanding that Mr Maclennan wanted to discuss his own doubts, still allegedly alive yesterday afternoon, about the merger package. Dr Owen, expecting a thwarted party leader seeking consolation and co-operation over a stiff Scotch, agreed to see him.

Then he watched Mr Maclennan on television, as the party leader left the successful merger negotiations at SDP headquarters, announce that he planned a final attempt to reunite the party behind the merger package. An angry Dr Owen, in the middle of celebrating his daughter's ninth birthday party, let Mr Maclennan in; five minutes later he showed him out.

The former SDP leader phoned Fleet Street to make known his incredulity at the late-night visit and to distance himself from a party leadership which be believed had finally lost touch with reality.

For good measure, Mr Grant accused Mr Maclennan of "shabby and dishonorable conduct" and of an outrageous abuse of his personal trust and friendship. Either that or the party leader had performed the most remarkable political "U-turn" for decades, he added.

Mr Wilson sprang to Mr Maclennan's defence, describing his initiative as the action of "a decent and sincere man" who, flushed with success in the negotiations, made a last gesture of reconciliation. Dr Owen's ungracious response, he suggested, said more about the host than his guest.

Mr Maclennan's own version of events was broadly similar. He played down Mr Grant's role in the entire affair, claimed his intention all along was to retain unity within the SDP and said he had personally arranged the meeting with Dr Owen.

He claimed his critics were united by their wish to see the merger fail. The SDP leader, who admitted yesterday that his "Churchillian tendency" led him to shed tears of frustration and disappointment during one of last week's make-or-break meetings, preferred instead to talk of a triumphant conclusion to months of negotiations in smoke-filled rooms. He spoke, perhaps somewhat extravagantly, of an agreement that would help "set British politics alight".

The policy document, which he was not allowed to write but was eventually persuaded to accept, tones down all the most controversial elements of the original leaders' policy statement.

It repeatedly employs the prospect of "changing circumstances" and the creation of a new policy-making machinery to justify its initial, broad-brush stance on issues the leaders wanted to confront head-on.

However, everything has changed in the last few days. As Mr Wilson sighed yesterday: "It has been a hell of a week" – and it was only Tuesday.

# How jobs market reacted to Black Monday

BY MICHAEL DIXON

ALMOST every conversation the Jobs column has had with folk in the recruitment trade these past three months has been dominated by a particular topic. It is the effect of Black Monday and subsequent events in the world's stock exchanges on employment prospects for senior workers, not just in the finance sector, but everywhere.

While there were a few modest optimists as well as some downright Jeremiahs among the headhunters, the consensus view was sombre. Everyone - myself included - thought the share-price collapse which started on October 19 must have reversed the previous growth in total demand for managers and key specialist workers.

So I am surprised, not to say flabbergasted, by the MSL International consultancy's latest quarterly count of executive-type jobs advertised in the United Kingdom. For it indicates that the top end of the employment market in Britain strode over Black Monday without even noticing.

Recruiting continued strongly not only throughout October but also in November, raising the advertised demand during the final three months of 1987 to the highest in any October-December quarter since MSL began its counts 28 years ago. That sweetly completed a year in which, as the bottom lines of the accompanying table show, every quarter produced more jobs than were offered in the corresponding period of 1986.

**UNITED KINGDOM ADVERTISED DEMAND FOR MANAGERS AND SENIOR SPECIALIST STAFF**
(Year to December 31)

| Type of work | 1987 Posts advertised | 1987 Change from 1986 % | 1986 Posts advertised | 1986 Change from 1985 % | 1985 Posts advertised | 1985 Change from 1984 % | 1984 Posts advertised | 1984 Change from 1983 % | 1983 Posts advertised | 1983 Change from 1982 % |
|---|---|---|---|---|---|---|---|---|---|---|
| R & D | 3,374 | - 8.4 | 3,683 | - 44.8 | 6,674 | - 10.5 | 7,457 | + 3.7 | 7,189 | + 49.6 |
| Marketing | 6,276 | + 1.7 | 6,174 | - 4.6 | 6,471 | - 5.1 | 6,822 | + 6.5 | 6,407 | + 19.9 |
| Production | 5,465 | + 13.6 | 4,809 | - 31.7 | 7,036 | + 1.5 | 6,931 | + 14.8 | 6,039 | + 49.3 |
| Accounting | 7,627 | + 19.1 | 6,402 | - 4.7 | 6,721 | + 12.4 | 5,978 | + 13.8 | 5,254 | + 18.1 |
| Computing | 3,298 | - 11.8 | 3,739 | - 13.8 | 4,337 | + 7.4 | 4,040 | + 34.8 | 2,996 | + 51.6 |
| General mgt. | 1,611 | + 27.1 | 1,268 | - 5.1 | 1,336 | + 2.0 | 1,310 | + 2.6 | 1,277 | + 2.5 |
| Personnel | 1,103 | + 19.6 | 922 | - 4.2 | 962 | - 6.3 | 1,027 | + 14.9 | 894 | + 35.7 |
| Others | 6,531 | + 18.9 | 5,493 | - 16.8 | 6,602 | + 14.6 | 5,759 | + 42.9 | 4,030 | + 35.4 |
| TOTAL | 35,285 | + 8.6 | 32,490 | - 19.1 | 40,139 | + 2.1 | 39,324 | + 15.4 | 34,086 | + 33.7 |
| Jan-March | 9,166 | + 4.1 | 8,804 | - 24.3 | 11,624 | + 9.3 | 10,637 | + 16.9 | 9,100 | + 37.5 |
| April-June | 8,597 | + 5.2 | 8,172 | - 21.5 | 10,412 | + 3.8 | 10,034 | + 20.3 | 8,340 | + 49.2 |
| July-Sept | 8,274 | + 8.0 | 7,664 | - 19.4 | 9,507 | - 2.6 | 9,760 | + 20.7 | 8,086 | + 18.5 |
| Oct.-Dec. | 9,248 | + 17.8 | 7,850 | - 8.7 | 8,596 | - 3.3 | 8,893 | + 3.9 | 8,560 | + 32.3 |

Even without the record October-December result, the sustained increase over the 12 months was itself enough to refute the pessimists. It broke for the first time a cyclical pattern which had appeared in the counts consistently since 1959, whereby a continued rise in demand over about four years was followed by an unbroken fall over a similar length of time. Consequently, when the supply of jobs began declining half way through 1985, MSL's staff were led to expect that the market would go on dropping until 1989.

"We couldn't be more pleased to be proved wrong," the consultancy's chief counter declared.

But despite the breaking of the cyclical mould and the last-quarter record, the Jobs column at least would not bank on a further sustained increase in higher-rank opportunities.

One reason for my caution is the drop in the market which occurred in December. The Christmas period always sees the advertised demand fall back from the levels of the previous two months. This time, however, the plunge was about 22 per cent worse than usual. And while the chief counter attributes it to an ingrained laziness which leads the British to take longer and longer Christmas holidays, I am not so sure.

Another, deeper reason for my doubt about longer-term prospects lies in the figures in the upper part of the table which show the counts for eight broad groups of work.

As readers can see, 1987 brought an increased supply of jobs in all but two of those categories. In one of the exceptional cases – computers – the decrease may well be rooted by a seemingly growing tendency for organisations to employ computer cognoscenti on a free-lance rather than a full-time basis. But the drop in demand for research, design and development staff cannot be so comfortably explained.

In view of the repeated statements from high offices that the UK's economy depends more and more on the full *exploitation of new technology*, last year's demand in the R & D area looks alarmingly small. The number of posts advertised was not only less than half the figure in the same category's boom time three years before, but was lower than in any 12-month period since 1981 when the executive and key-specialist market as a whole hit a record low with an annual total of but 18,795 jobs all told.

Moreover, even in 1981, the R & D area took a bigger share of the overall demand than it had last year: 14.4 per cent as against 1987's mere 9.6. In 1983-84, when the market was *approaching its recent peak*, the share taken by research, design and development was around 20 per cent. The only people to enjoy such a large slice of demand in the year just ended were finance and accounting staff who, for all their virtues, can hardly act as the mainsprings of innovative industry.

A similar dampening message is given by the demand figures *for two of the four industrial* sectors in which MSL makes counts of all higher-ranked jobs advertised. The first of the two is the high-technology sector, where last year's total was 2,714 compared with 2,911 in 1986 and no fewer than 4,888 the year before that. The second is the energy-related division where the latest 12 months brought 1,446 posts as against 1,525 and 4,330 in the two previous years.

*Nor is there* very much encouragement in the counts for the other pair of sectors. One is food, drink and tobacco in which the 1987 demand of 1,021, while better than the previous year's 953, was down from the 1,161 of 1985. The other – retailing – edged up to 1,141 last year from 1,121 in 1986 and 1,098 12 months before. But that tiny rise has to be set against the fall in retail sales in December.

Even so, having seen the disdainful way in which the executive jobs market treated Black Monday, I shall go on hoping for further happy *surprises* at least until the count for the January-March quarter comes to light in three months time.

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In addition to the salary indicated, benefits include Company car scheme, preferential rate mortgage, non-contributory pension, PHI, profit-sharing and season ticket loan schemes, free luncheon facilities and, if appropriate, generous relocation assistance.

If you feel that you meet the qualifications and experience requirements and wish to discuss possibilities, you are asked to write or call the Company's Selection Advisers. A fast response and absolute confidentiality are guaranteed.

**John L. Thompson, Director, Thompson Associates Ltd., Compton House, 20A Selsdon Road, South Croydon, Surrey CR2 6PA. Quote reference number 1228.**

TAL
THOMPSON ASSOCIATES LIMITED

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**If you have already created a successful department for securities processing, read on...**

# Head of Investment Administration

**Excellent salary plus full banking benefits**

The City-based investment management subsidiary of a major British bank seeks a high-calibre individual to develop and manage its transaction processing and support functions.

Already a market leader for corporate pension funds with £5 billion under management, the *Company now urgently needs to build an in-house* processing capability for its rapidly expanding domestic and international businesses.

This new appointment carries responsibility for the development of all aspects of back office administration to handle domestic and international securities including settlement of equities and fixed income/interest instruments, portfolio valuations and client reporting.

A major task will be the recruitment and training of a high quality team.

The post demands an energetic *leader* who has already created a successful securities processing function probably for a fund manager, stockbroker or life assurance company.

The salary/benefits package is extremely competitive and negotiable for the right person.

For an exploratory discussion, information pack or to apply, please write or telephone: Peter Nielsen, Grosvenor Search International Ltd, 178-202 Great Portland Street, London W1N 6JJ. Tel: 01-631 5135/0348 (daytime). Answerphone 01-580 6951 (evenings/weekends) quoting Reference Number G561.

*Grosvenor SEARCH INTERNATIONAL LTD*

*Search & Selection, 178-202 Great Portland Street, W1N 6JJ. Tel: 01-631 5135 or 01-631 0348.*

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# Consultants & Senior Consultants Financial & Banking

**£27-33,000 + Car + Benefits Central London**

Our client, a leading management consultancy, has a world-wide practice and unparalleled tradition of service to banking and financial institutions.

Continued growth and expansion have created the need to recruit experienced individuals to assume consultancy roles in its successful Banking and Financial Services Group.

For the role of **Consultant** we require someone with *expertise* in at least one of the following areas:

**• Capital Markets • Treasury • Operations and Accounting • Control Systems • MIS • Risk Management**

For the role of **Senior Consultant** we would also expect a *high standard* of experience in all basic consulting skills, including the ability to manage a project successfully.

For both areas we would expect you to be energetic and outgoing and to demonstrate strong inter-personal skills, drive, ambition and diplomacy.

The company regards these appointments as critical to the future of this major division. Their importance is reflected in the excellent remuneration package which includes a car.

**If you believe you have the background to take on one of these challenging positions, and you are looking for a role where you can influence future developments, contact Kay McGregor on 0753 857519 (office hours) or 01-582 9845 (evenings and weekends) quoting ref NY02. Alternatively send your CV to her at: McGregor Boyall Associates – Executive Selection, The Lodge, 66 St Leonard's Road, Windsor, Berkshire, SL4 3BY.**

mcgregor boyall

# LEASING MANAGEMENT OPPORTUNITIES

West London

Our client is a successful leasing company with a well established client portfolio in a number of niche business sectors. Now part of a major UK financial services group, the company retains its own identity and operating autonomy. As a result of continued growth, two additional senior staff are required.

## NEW BUSINESS MANAGER

As a senior member of the marketing services team, the appointee will work alongside the existing New Business Manager within a stimulating environment that requires a high level of commitment to ensure that the company's interests are protected whilst maintaining flexibility and customer service. This requires constant liaison on every aspect of the company's business with all the constituent parties internally and externally.

The person appointed will have a particular involvement in smaller unit business (under £100,000) and will have responsibility to ensure that all new business is documented and drawndown and that systems are effective for coping with increased volumes. Candidates should have previous experience within the leasing sector and be familiar with the legal aspects of leasing and financial documentation. (Ref. C7900/1)

## ASSISTANT CREDIT MANAGER

This appointment will have responsibility for evaluating and controlling new business proposals through interpretation of financial statements and asset examination. Candidates will be expected to maximise new business potential from deals whilst managing risk. At least three years credit analysis experience is required, gained within the leasing sector or within the corporate lending department of a bank. A detailed knowledge of UK accounting practices is essential, combined with the ability to write concise reports for the credit committee.

Both roles require confident and personable individuals with good written and verbal communication skills and the ability to maintain standards under pressure. There are attractive career opportunities within the group. In addition to a competitive salary, which is negotiable, the company offers a range of benefits including car and mortgage subsidy. (Ref. C7900/2)

Please write in confidence with full career details, quoting the appropriate reference to Paul Carvosso.

**KPMG** Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

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# FINANCIAL EDITOR

As one of the world's leading Investment Banks. Salomon Brothers offer a highly professional, ambitious Financial Editor excellent career development at our London office.

Reporting directly to the "Editor-in-Chief" in New York, this role entails editing and coordinating the publication of research from London Bond Market Research, Corporate Bond Research, Bond Portfolio Analysis and European Equity Research. This highly accountable position carries the responsibility for research reports that are distributed to clients.

Possessing a large degree of motivation and commitment, you have five years of experience in financial editing and a working knowledge of domestic and international securities markets, finance and economics. A flexible approach and persuasive personality are essential, and a "reading" knowledge of German and French would be useful.

We will polish your skills with a one-month training period in New York.

In return, we offer a substantial negotiable salary plus a generous benefits package.

Please write in confidence, with full career details to Pandit Crite, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.

**Salomon Brothers International Limited**

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# Fund Management
## International Bonds

**City** — **to £40,000**

We are currently working on behalf of two leading UK institutions, the investment management arm of a major UK banking group, and an independent fund management group. They are currently seeking to recruit experienced fund managers to join established teams managing substantial international bond portfolios. A minimum of 3 years' multi-currency fixed income fund management is required, together with first class knowledge of international bond markets.

These roles offer a challenge to the right individual who will be expected to contribute to the formulation of fixed interest and currency strategy, as well as taking an active role in presentations to clients.

If you match the above criteria and are interested in pursuing these opportunities, please contact Charles Ritchie on 01-404 5751 (01-673 6727 after office hours) or write enclosing a full curriculum vitae to Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

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# Global Resource Financing Bank

*Commercial Banker* — *Head of Credit and Operations*

Our Client, a UK recognised bank, is a London based resource financing house. The bank provides traditional and tailored financing and trading facilities for financial, commercial and mining customers.

An opportunity has arisen for an experienced commercial banker to head both the credit and settlements functions of the bank in London with credit policy control responsibility for the overseas subsidiaries.

We would like to hear from people who are interested in a career appointment, with a background demonstrating good credit knowledge, experience of banking operations and settlements combined with sound business judgement. Our Client wishes to emphasise that the important characteristics of the candidate will be enthusiasm and a sound commercial banking background — specialist resource banking skills can be learnt.

It is anticipated that the successful candidate will currently be earning a base salary in excess of £40K.

For further details please write or telephone quoting reference MODH 394. Rochester Ltd., Moor House, London Wall, London EC2Y 5ET. Telephone: 01-256 5611 Fax: 01-374 0980.

ROCHESTER
*International Search & Selection*

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**Institutional Sales**

To £30,000 Basic Major Stockbrokers London or Liverpool.
0903 820770
KP Personnel Agy.

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# Stockbroking

Our client is a well known regional stockbroking company and part of a large and well funded plc. It is expanding its institutional and research departments and now seeks to appoint additional experienced specialists.

## INSTITUTIONAL SALES

**UK Equities** — **To £35,000 + car**

It requires an experienced person to sell a range of equities to UK institutional clients. Although part of a team, the role carries substantial autonomy and will suit someone who can exhibit a high degree of independence and initiative. The requirements are to increase the volume of sales by servicing and expanding the present client portfolio. Candidates, ideally in the age range 30-35, should have at least three years' experience of equity selling and be able to demonstrate good interpersonal skills and sound commercial logic.

## ANALYST

**Capital goods** — **To £30,000 + car**

It also requires an experienced analyst to join a team covering companies in the capital goods sector.

Candidates, ideally in the age range 25-30, should be graduates with at least two years' experience, who are currently covering the capital goods sector. They must be commercially aware, have excellent communication skills and be able to show that they have the presence and drive to achieve results.

The location offers an attractive and varied lifestyle. Remuneration packages are negotiable and include a car, executive benefits and full relocation expenses.

If you are interested in either of these positions, please write to Andrew Nicholson FCA, enclosing a full career resumé with your current remuneration, at Adamson & Partners Ltd, Ref CRL, 2 Duke Street, St James's, London SW1Y 6BY. His daytime number is 0532-451212.

ADAMSON & PARTNERS LTD.
**Executive Search and Selection**

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EQUITY SALES

# If your 'Big Bang' has turned into a damp squib, come and talk to us.


My clients are a well established and profitable firm of stockbrokers. Unlike some of the larger firms of marketmakers, my clients are enjoying sustained growth and increasing demand.

They now wish to recruit additional salespeople to develop existing and promote new relationships with UK institutional investors. The sales activity is supported by a first class research capability.

Expertise in food retailing, newspaper or oil stocks would be particularly appropriate.

My clients offer a stable, highly professional environment and an excellent rewards package which is genuinely negotiable. Salary will not be a limiting factor.

Write or telephone in confidence Nicolas Mabin, Regional Director, quoting reference CG0765. 10 Finsbury Square, London EC2A 1AD Telephone 01 256 5041 (out of hours: 01 987 8907)

Management Personnel
RECRUITMENT SOLUTIONS
LONDON · GUILDFORD · ST. ALBANS · WINDSOR

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# Commodity Analyst

An International Cocoa Trading Company based in the City of London, has a vacancy for an analyst to expand an existing cocoa research department.

The Company is of medium size and is part of a large Commodity Trading Group, with wide international interests.

The work will consist of the collection and analysis of data relating to the cocoa and financial markets, in order to provide authoritive studies and forecasts for the Company and their multinational clients.

Applications are invited from graduates in their twenties with at least 3 years commercial experience in commodity and/or financial research together with a knowledge of, econometrics, and operational research. An analytical mind numeracy and outstanding written and oral communication skills are essential qualities for the successful applicant.

The salary will be commensurate with the applicants experience and ability, together with other fringe benefits.

Please write with full c.v. to Box A0789, Financial Times, 10 Cannon Street, London EC4P 4BY

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## MANAGER - TRUST DEPARTMENT

**Location: Cayman Islands**

Bank America Trust and Banking Corporation (Caymen) Limited is one of the largest and most active financial organizations in the Cayman Islands, and is part of Bank America Corporation's global network.

The Company is currently experiencing strong growth and is offering an outstanding opportunity for a seasoned professional to manage a team of ten Trust Officers and Administrators.

Reporting to the Managing Director, the Trust Department Manager has responsibility for all aspects of Trust and Private Banking, Captive Insurance, Mutual Fund and Managed Company activities.

Candidates will have a legal or trust qualification and are likely to be aged between 35 and 45. They will have minimum of 10 years broad experience in all areas of trust management and the personality and strength of character to promote controlled growth and professional excellence.

An excellent salary package is offered, together with generous expatriate benefits. Initial interviews can be arranged in a variety of locations.

Please send a comprehensive C.V. in confidence to:

James Hume, Vice President & Managing Director
Bank America Trust and Banking, Corporation (Cayman) Limited
P.O. Box 1092 Grand Caymen, Cayman Islands

BANK OF AMERICA

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# Svenska&Company Ltd

STOCKBROKERS

We are an Agency Stockbroking firm with efficient settlement and research back up.

We are currently expanding our operations and would be interested to hear from individuals or groups involved in all areas of investment business.

*Please contact Ted Ostrer on* 01-377 6086
*or*
Svenska & Company Ltd.,
14 Devonshire Row, London EC2M 4RA.

MEMBERS OF THE STOCK EXCHANGE
A MEMBER OF THE SVENSKA HANDELSBANKEN GROUP

# GENERAL MANAGEMENT SKILLS?

## Interested in part-time consultancy?

If so, we can offer you a challenging, interesting and rewarding opportunity as an Enterprise Counsellor with the Department of Trade and Industry.

DTI operates a range of subsidised consultancy services to small and medium sized firms. These services are being brought together under the Enterprise Initiative to provide an advisory service aimed at introducing "best practice standards" to enhance company performance. This service will cover quality, design, home and overseas marketing, manufacturing and, shortly, business planning and financial and information systems. Demand for these services is expected to increase rapidly.

We now seek additional Enterprise Counsellors based at regional offices located in:

- LONDON
- BIRMINGHAM
- BRISTOL
- LEEDS
- MANCHESTER
- NEWCASTLE
- NOTTINGHAM

Your prime responsibility will be to conduct an initial two day Business Review which will:

- assess an individual firm's total business activity
- identify business strengths and weaknesses
- assess how the firm could benefit from a consultancy project
- identify other possible sources of help.

All independent firms or groups in manufacturing and service industry with less than 500 total employees will be eligible.

You will need to be a mature businessman/woman, possibly newly or semi-retired, with a first class track record in industry and commerce. Experience in the management of small or medium sized firms would be useful. Excellent written and oral communications skills are essential, and you should be available to work at least 80 days per annum.

You will be paid £70 per day. Travel and subsistence allowances are payable.

In the first instance, for a detailed information pack and application form, please write to our Adviser, John Smith, MSL International, 52 Grosvenor Gardens, London SW1W 0AW. OR telephone the MSL Ansaphone on 01-730 7749/01-730 7584.

MSL International

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## TSB Northern Ireland

# General Manager Retail Banking

TSB Northern Ireland, a company within TSB Group and one of the three largest banks in the Province, is creating a new role to re-focus and direct its branch network.

The ideal candidate will have been exposed to both personal and commercial banking and have extensive experience of actively managing and motivating staff in an extensive branch network. He/she will have a track record of implementing radical change and getting to grips with the full range of staffing implications, and of achieving tough business targets. Business sense will be combined with leadership, vision, energy, commitment and enthusiasm. Preferred age: early 40s. Salary: flexible but probably c £40,000, with generous package including relocation assistance if required. Internal candidates are also being considered.

Success in this role will lead to extensive career opportunities within TSB Group.

Applicants should send c.v. and a letter explaining how they meet the requirements to:

**Controller – Group Management Development & Training**
**TSB Group plc,**
**25 Milk Street,**
**LONDON EC2V 8LU.**

TSB GROUP

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## Appointments Wanted

### STOCK EXCHANGE MEMBER

with substantial private client investment business seeks Firm offering half commission terms.

Please reply to Box A0794, Financial Times, 10 Cannon Street, London EC4P 4BY

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# YOUNG PROFESSIONAL BANKERS

## Opportunities to learn Property Lending with a market leader

City base

The property lending department of this major international banking group is amongst the most respected in the City. As a result of continuing growth there is a need for at least one further team member to take part in the evaluation and presentation of new business proposals and the administration of the £400m portfolio. Preferred candidates will be in their mid twenties and have graduate level education, or at least should have completed the AIB qualification, and will be keen to learn the particular principles of property lending, using experience already gained within a general banking background. This is a highly professional, creative environment where lending is closely linked with all aspects of property and corporate finance. The crucial requirements are quiet self confidence, disciplined initiative and clear, methodical thinking. There can be few opportunities to match this in terms of career progression for those who can climb the steep learning curve. The salary package is geared to attract the best. Please send career details and salary history, quoting reference 0198F.

**Samuel & Pearce Recruitment Ltd.**

*Executive Search, Selection & Recruitment Advertising*
Academy House, 26-28 Sackville Street, London W1X 2QL.

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JonathanWren
Leasing Division

# MARKETING OPPORTUNITY ASSET FINANCE

## £20,000 to £25,000 plus full banking benefits

As part of its growth strategy the major asset financing division of this established European bank seeks to expand its professional team. Applicants should be graduates, aged mid to late 20's and possess a sound technical knowledge of the principles of lease evaluation and credit analysis. In addition, significant exposure to the pricing, structuring and documentation of medium to large ticket leasing and asset finance transactions should have been gained whilst working for an organisation with a renowned market presence. Previous experience within an active marketing position is not essential, but applicants must demonstrate the potential to succeed within such a role. Following a short introductory period the appointee will become responsible for new business identification, the analysis and appraisal of proposed deals, the negotiation of contract terms and the pricing and structuring of transactions.

First class promotional opportunities and an excellent 'learning curve' are envisaged, enabling the individual selected to gain true international cross border financing exposure.

**Contact Peter Haynes or Jill Backhouse.**

LONDON HONG KONG SINGAPORE SYDNEY

JonathanWren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

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# Asset-Based Finance

We are seeking two people to join our expanding "Big Ticket" Asset-Based Finance department in our Debt Securities & Banking Division.

One position is for an experienced **Lease Administration Executive** whose first assignment is the installation of a well known computerised administration package. Applicants must have a practical experience of computerised leasing administration systems and an accounting qualification is highly desirable.

The second position is for a **Junior Executive** to join the Business Execution team. Duties will include computer evaluation and pricing of transactions, preparation of internal credit applications, client financing proposals and offers. The successful candidate could expect to become a "front line" originator in approximately 2 years. Candidates, who will be either graduates or have 2—3 years' relevant business experience, should be able to demonstrate strong mathematical aptitude and a first class command of English.

Attractive remuneration packages and prospects are available for both positions.

Please contact, giving full details:—

Mark Heyes
**Morgan Grenfell & Co. Limited**
23 Great Winchester Street
London EC2P 2AX
Tel: 01-256 6278

MORGAN GRENFELL

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# A successful career already behind you?

## Windsor based

If you are aged under 55, with integrity, dedication and self-assurance, you could have another equally successful career ahead of you.

Hill Samuel is one of Britain's most respected financial institutions. Personal financial services is a growing business sector with more and more people requiring advice and guidance on how best to successfully manage their money.

Hence we have openings for mature, responsible individuals to join the Hill Samuel Investment Services team of advisers.

Whilst a knowledge of financial matters would be an asset, we are prepared to give you thorough and comprehensive training, as well as providing excellent support services and opportunities to earn a very substantial income. Office facilities provided.

**To launch your second career telephone or send a full cv to Peter Stoner, Divisional Manager, Hill Samuel Investment Services, Hill Samuel House, 2 Thames Avenue, Windsor SL4 1QP. Tel: (0753) 859018.**

HILL SAMUEL
INVESTMENT SERVICES

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# UK EQUITY SALES

## £20,000 to £120,000

On behalf of several key clients, we are currently searching for salesmen with expertise in the UK Equity market. Our assignments range from head of department to team leaders to salesmen.

We invite approaches from high calibre individuals who may be attracted by the clarity of direction of our clients.

For a confidential talk please contact Hamish Fulton or Stephen Wright, 20 Cousin Lane, London, EC4R 3TE. Telephone 01-236-7307.

STEPHENS ASSOCIATES
SEARCH & SELECTION IN SECURITIES & INVESTMENTS

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# Chief General Manager – Hong Kong Operations

### Life Assurance/Retirement Benefits Company

Carlingford Swire, a member of The HongkongBank Group, is South East Asia's largest life assurance company. It has a dominant position in the fast growing retirement scheme market and is shortly introducing new individual life products which are expected to compete strongly.

Continued rapid expansion is anticipated and the company now seeks a Chief General Manager to be responsible to the Chief Executive Officer for the day to day management of the Hong Kong office.

Applicants should be able to demonstrate experience in a range of management positions within a life office. Broad commercial awareness, organisational skills and good marketing ability are important for success in this position. The preferred age range is 35-45.

An attractive expatriate package will be offered to the right candidate, including bonus, free housing, mortgage assistance, medical costs, retirement scheme, leave passage and school fees within a low tax environment.

Please address your full CV including current remuneration, and marked "Strictly Confidential" to Mr. R. Haines, Managing Director, Antony Gibbs Pension Services Ltd. at Bishops Court, Artillery Lane, London E1 7LE who is advising on this appointment. First interviews will be held in London in February.

*member* HongkongBank *group*

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### SPOT DEALER

Our client is a well established international bank with an excellent reputation. To complement the existing active dealing team, they require an experienced and highly capable spot trader. Candidates will preferably have gained experience at a medium sized bank actively trading a major Eurocurrency for a minimum of 3 years. Salary will be c£35,000 along with usual banking benefits.

### FRA/INTEREST RATE SWAPS TRADER

Our client, a major European bank, seek a FRA and/or interest rate swaps trader. Ideally candidates will be graduates, with at least two years experience in the FRA and/or interest rate swaps market within an organisation recognised for its activity within these areas. Remuneration level will be according to age and experience.

### CORPORATE DEALER

This prime name European bank with an established City presence, currently are looking to recruit a corporate dealer. Complementing the existing customer team, the appointee will have an in-depth knowledge of the foreign exchange market, coupled with the determination to be able to strengthen the existing customer base of the bank. Salary will reflect the seniority of the appointment.

### SENIOR SPOT DEALER

This AAA rated International Bank with an established City presence currently seek to recruit a spot dealer. As the position is potentially at senior level, candidates will require a minimum of five years trading a major Eurocurrency, at a name recognised for its expertise in this field. Salary is envisaged to be negotiable c£55,000 with excellent benefits.

Please contact

**STEVE CARTWRIGHT & JASMINE WALKER**

on

**01-929-1212 (24 Hours)**

**THE ROGER PARKER ORGANISATION**

BUNGE HOUSE, ST MARY AXE, LONDON EC3A 8AT

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# MARKETING ADVISER

## From £22,000

Foreign Commercial Delegation in London seeks a Marketing Adviser/Officer for sales promotion and market research for a wide range of products. Experience in foreign trade and general marketing practices required. Applicants should be bilingual in English and German.

*Applications with curriculum vitae and full details to:*
**Box A0785, Financial Times**
**10 Cannon Street, London EC4P 4BY**

## OUTSTANDING OPPORTUNITIES IN A MERCHANT BANK

This UK merchant bank is establishing a highly professional customer services group and seeks to fill the following important positions. Salaries are all negotiable. The aim of the bank is to recruit very high calibre staff and remuneration will reflect this criteria.

**GROUP CUSTOMER SERVICES — Age to 32**

This position is for a banker who already has occupied a senior position in a merchant bank covering all aspects of loan administration, letters of credit, agency and tender panel function and documentation. The portfolio is large and the operation will be sophisticated.

**CUSTOMER SERVICES - SECURITY SETTLEMENTS AND LOANS ADMINISTRATION — Age c 30**

Two positions exist in customer services to cover equity and other settlements and loans administration. Extensive experience in one or other of these areas would be acceptable.

**MANAGER DESIGNATE - CUSTOMER SERVICES SETTLEMENTS AND LOANS ADMINISTRATION — Age to 32**

A candidate with management potential and experience of retail banking and securities (principally equities) settlements is sought to service retail banking loans and mortgage and to service private clients in relation to stock purchases.

**Please telephone Elizabeth Hayford on 377-5040 or write to:**

**LJC BANKING APPOINTMENTS**
Devonshire House, 146 Bishopsgate, EC2M 4JX.
01-377 5040

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*Start a challenging role in the new year*

## Assistant Director- Finance and Administration

**A salary between £20,160 and £22,176 (plus London Fringe Allowance)**

Slough College is one of the higher education institutions to be established as higher education corporations in accordance with the Education Reform Bill.

The successful applicant will provide the leadership of the expanded finance and administrative services and will be expected to demonstrate an understanding of the requirements of a major education establishment working in the public sector but having to operate on successful commercial lines.

This exciting and challenging new post will offer the opportunity to influence the development of a major higher education establishment serving one of Europe's most successful economies.

Experience in public sector education or finance administration and a qualification in accountancy would both be valuable but not as essential as creative financial and administrative skills.

Application forms and further details from

**The Staffing Officer**
**Slough College of Higher Education**
**Wellington Street**
**Slough, Berkshire SL1 1YG**
**Telephone: Slough (0753) 34585 Ext. 205**

**Closing date: 7 February 1988.**

*An equal opportunities employer*

**Slough College**

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## Investment Management
### Middle East

A successful applicant will eventually report to the Group Board Directors and his responsibilities will include the following:

1. Manage a small department for substantial investment overseas.
2. The department is responsible for producing statistical information to allow for the monitoring of performance of portfolio managers in different financial centres who have discretionary management.
3. The holding of periodic meetings with the portfolio managers to discuss and decide investment strategy and policy.
4. Follow equity, bond and currency markets to enable immediate action to be taken to take advantage of possible future movements in the market.
5. To appraise investment opportunities for further investment and present suitably to the directors.
6. To supervise the legal accounting and administrative responsibility of a number of off-shore companies.

Applicants should hold an accountancy qualification or an economics degree.

Situated in an attractive and stable Middle East country, the rewards include a tax free salary in the region of £19,000 in local currency, a provident fund, generous car and education allowances, free furnished accommodation and annual leave.

Applications to Box No.

**Box A0792, Financial Times, 10 Cannon Street, London EC4P 4BY**

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## INVESTMENT ANALYST

A Private Holding Company with substantial financial resources wishes to recruit an analyst to develop corporate investment "targets" in the UK and USA.

The Resources and Property sectors would be initially favoured but any appropriate investment opportunity would be considered.

You will have the necessary experience and expertise to identify and prepare a detailed analysis for such acquisitions.

The successful candidate will work on his/her own initiative reporting directly to the Chairman.

A generous package is available and would be negotiated individually.

**Please write to KJR**
**13/15 Davies Street, London W1Y 2HQ**

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## INTERNAL AUDITOR/ COMPLIANCE OFFICER

Salary: £30,000+ pa, plus excellent banking package

A major French Bank currently with a staff of 80 but rapidly expanding, seeks an Internal Auditor/Compliance Officer who will report direct to the General Manager.

This person will establish and implement the annual audit plan, and will liaise with External Auditors and Head Office Inspection teams. He or she will be responsible for ensuring that operating procedures comply with standards imposed under the terms of the Financial Services Act 1986.

Candidates must be experienced in UK banking activities and accounting practices. They should have excellent organisational qualities and a good understanding of legal matters. A knowledge of French would be helpful.

Applicants should write in confidence, enclosing a Curriculum Vitae with daytime telephone number, to:

**Box A0793, Financial Times,**
**10 Cannon Street, London EC4P 4BY**

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**ARGENT CREDIT CORPORATION LTD**
CENTRE HOUSE, ST LEONARDS ROAD, LONDON NW10 6ST TEL 01 965 4030 TELEX 941 3466 HOMTEX FAX 01 961 8793

## EXCEPTIONAL OPPORTUNITIES FOR FINANCIAL PROFESSIONALS

**LONDON**

We are a small highly profitable company, who plan further rapid growth both organically and through acquisitions. Currently the Group provides working capital to small and medium sized growth companies, however, the immediate objective is to extend these to provide a full range of commercial and merchant banking services.

**FINANCIAL CONTROLLER/TREASURER**
**up to £25K + Car**

Working closely with the Managing Director, responsible for operating and treasury functions within the Group. Successful candidate will be a qualified banker or accountant with some understanding of trade finance.

Age 27-35 years

**MARKETING/ACCOUNT EXECUTIVE**
**up to £20K + Car**

Responsible for maintaining existing client portfolio and developing new business. Experience of negotiating at board level is essential, as is a strong background in Credit and Financial Analysis. Professional qualifications would be an advantage.

Age 27-35 years

Both positions will suit confident, ambitious, enterprising individuals, who are able to demonstrate personal qualities needed to make a substantial contribution to profit performance. Excellent opportunities to achieve board status within 3 years. Benefits not a limitation for the exceptional performer.

Write, in confidence, giving concise career resume and salary progression to David Robertson, Managing Director, Argent Credit Corporation Limited, Centre House, St. Leonards Road, London, NW10 6ST.

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## *International Banking*

**DEPUTY MANAGER — SETTLEMENTS**

Top quality European Bank seeks to strengthen the Operations Management team and currently offer an exceptional career opportunity. Reporting directly to the Operations Manager, the successful candidate will require a background of relevant FX and Money Market experience, including new products, and also demonstrate the potential for further managerial responsibility.
SALARY: c£25,000 + Car

**MARKETING OFFICER**

First rate European Bank planning to expand the London Operation seek a high calibre marketing person aged up to 40. This addition to the existing team will target small/medium U.K. corporate clients in all sectors.
SALARY: To £35,000 + Benefits

**COMPLIANCE ACCOUNTANT**

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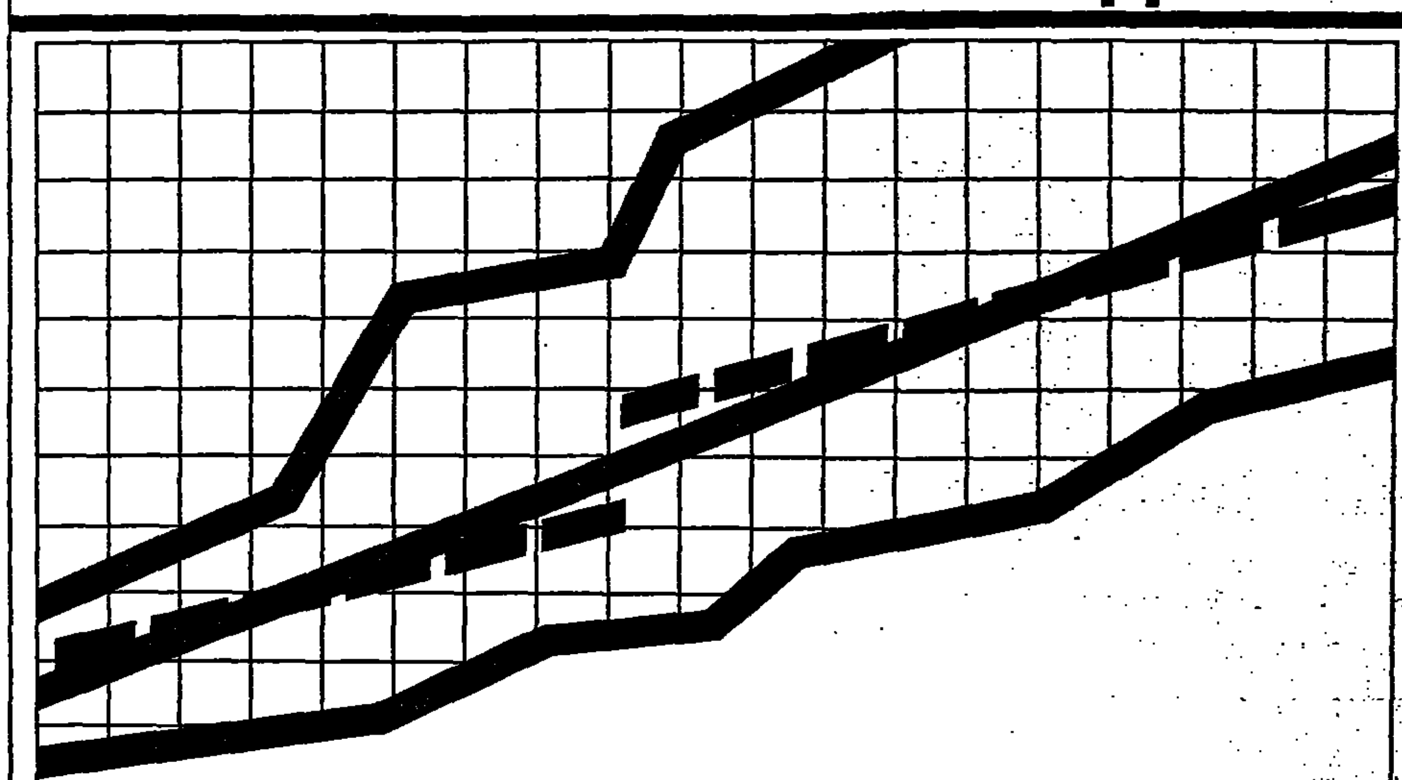
# International Appointments



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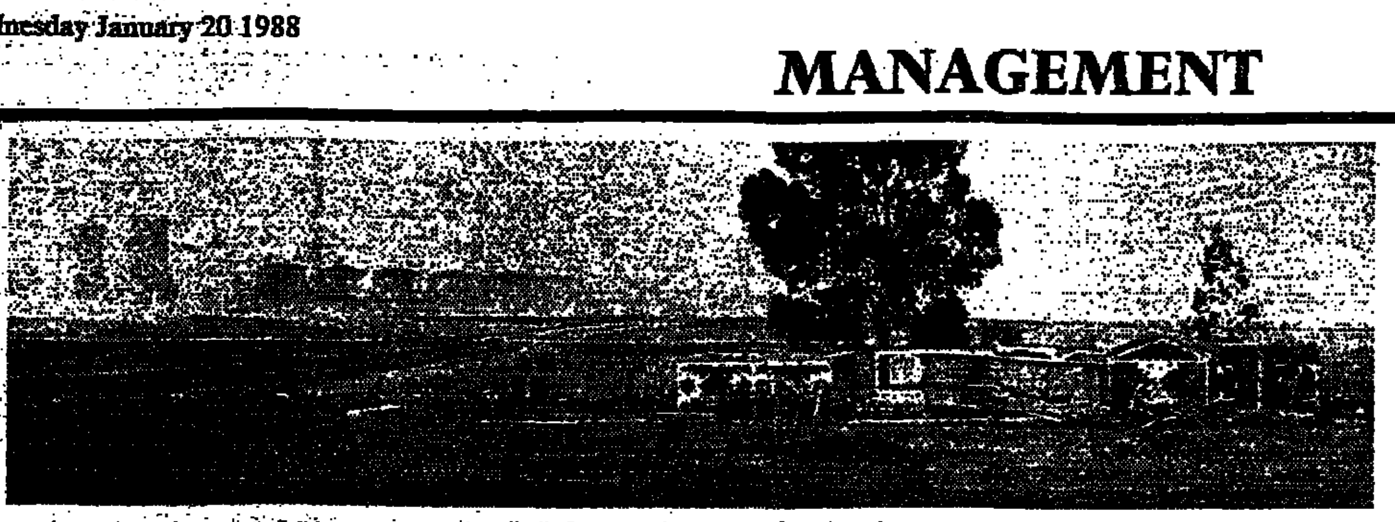
## MANAGEMENT



A society divided: giant turbines loom over a typical African home with its pile of firewood

# Eskom plugs a supply gap

**Anthony Robinson on the reorganisation of South Africa's bureaucratic electricity utility**

"ELECTRICITY has no colour. In the new Eskom neither do the people who make and sell it." This proud claim by John Maree, the chairman of South Africa's Electricity Supply Corporation, Eskom, marks a significant shift in managerial and labour relations revolution in Africa's biggest utility company. Maree, who carved a reputation for himself by building up Armscor, the South African arms corporation to beat the UN arms embargo, was brought into Eskom three years ago to inject new dynamism into what had become a bureaucratic colossus.

Now Eskom is taking a further step towards bridging the first world/third world dichotomy of South Africa by intensifying a long term programme to electrify the black townships and bring millions of blacks fully into the modern cash economy.

The colour photograph on the wall of chief executive Ian MacRae's office in Megawatt Park, Eskom's Johannesburg headquarters, tells it all. In the background are six giant turbine halls with clouds of steam rising from cooling towers. High tension wires cross the high veld away from the ultra-modern, 3,450mw capacity Matla coal-fired power station in the Eastern Transvaal.

In the foreground, perhaps a mile away from the power station, stands a low, ochre-painted mud and wattle African house. In front of the house, like millions of others on the continent, lies its sole source of light, heat and cooking power – firewood from a chopped-down tree.

Seen as a parable of two separate worlds the photograph encapsulates a classic image of a society divided as much by economics as by race. It also illustrates a major challenge facing South Africans – how to use their first world skills, capital and know-how to raise the standards of the third world sector before rising population and political frustration close the window of opportunity.

MacRae, a craggy South African-born Scot who came up through the Eskom ranks, believes the fate not only of South Africa but the entire sub-continent depends on the answer. Working in tandem with his Afrikaner chairman, MacRae has helped transform Eskom from an over-staffed bureaucratic utility into a tightly run, profit- and productivity-oriented business.

At the same time, Eskom has continued to build low key contacts with the frontline states which depend heavily on South African electricity. Eskom is, for example, deeply involved in a renewed effort by South Africa, Mozambique and Portugal to rebuild powerlines in Mozambique destroyed by anti-government Renamo guerrillas.

A key element in the new approach has been a determined emphasis from the chairman down on promotion by merit and the elimination of previous racially- and sexually-biased job restrictions and pay differentials.

"Last year we uprated 14,000 jobs which were subject to discriminatory conditions and we did so after negotiations around the same table with 30 unions ranging from the militant black Cosatu unions to the extreme right wing white miners' union," MacRae explained.

At the same time overall labour costs have been reduced by cutting the labour force from 66,000 to 56,000 in two years and eliminating one level of middle management.

Many of those who left were conservative whites who could not accept disruption of the cosy, protected employment environment which Eskom used to share with other para-state organisations.

The fact that at present blacks hold less than 3 per cent of technical and middle managerial rank jobs is an indication of how Eskom used to be. Now chairman Maree openly tells Eskom employees in video-taped fireside chats and direct meetings that Eskom and South Africa as a whole have to use the talents of all its people to the full. Management will have failed, he adds, if in ten years' time blacks are not in 30 per cent of such jobs.

John Maree (left) and Ian MacRae: more customers will reduce over-capacity

Now Eskom is organised on the basis of 52 business units and 61 district management offices. They are linked electronically to Megawatt Park but are directly responsible for running their business and customer relations.

The aim has been not only to improve the efficiency and cost effectiveness of generating and supplying bulk customers with over 120bn kwh of electricity but also to encourage the efficient and cost effective use of electricity by customers. Just before Christmas, Maree underlined the success of Eskom's efficiency drive by announcing that next year's tariff increase will be kept to 10 per cent – against an expected 12-14 per cent inflation rate.

Because of the lower than expected growth in the overall economy, however, Eskom faces a major excess capacity problem for the next decade – despite an expected growth in annual consumption of around 5 per cent.

Rather than cancel plans for the five new coal and one new hydro-electric, pumped storage plant which will add nearly 17,000mw of generating capacity by 1995, the Eskom board decided to build and then run the highly efficient and technically advanced new stations to provide the base load. The older, less efficient plants will be either moth-balled or used only as peak load producers.

But the existence of overcapacity in a country where 20 million, or two thirds of the population, have no access to electricity, has served to underline the challenge – and potential – of electrifying the black townships and rural areas. Eskom estimates that even if electrification were extended to the entire population, the additional demand from mainly poor black consumers would only amount to around 1,000 mw, less than a third of the capacity of just one of the new coal-fired behemoths.

Clearly this extra demand would help to reduce the over-capacity. But the real advantages of electrifying the townships and villages, MacRae argues, go far beyond improving the economics of Eskom. The most immediate benefit would be a dramatic improvement in the quality of life. Blacks are the poorest as well as the biggest part of the population. Yet paraffin for heating or light costs nine times more than electricity and candles are four times as expensive. Gathering firewood is exhausting and time-consuming while deforestation is becoming a major problem.

Eskom's plan is to concentrate initially on electrifying the 60 black townships – with a population of around 3m – which lie closest to fully electrified white towns and cities. If electrification were to be undertaken on the basis of present first world, "white" standards – with underground cables, ring mains and an average load base of 60 to 80 amps per house – the cost would be around R700m.

This is relatively small compared with the R2.5bn-3bn cost of a new power station, or the over R5bn earmarked for exploiting the marginal offshore gas field at Mosselbay in the Eastern Cape. But it would still price electricity beyond the reach of many black families.

Eskom engineers, architects and planners, some with experience of other developing countries like Taiwan and South Korea, have therefore worked out cheap but efficient "appropriate technologies" which would cut the cost by more than half.

Rather than expensive underground cables, meters and ring mains, Eskom proposes overhead "bundle conductors" mounted on wooden poles which can also carry telephone lines and street lights. Such a simple system would carry a line into each house capable of supplying 10 to 20 amps, sufficient for lighting and one power point.

Instead of the cost of meters, and uncertainty about the monthly bill, consumers would pay a flat monthly rate. Eskom's system also allows delivery to jumbled backyard shanties and makes it possible for maintenance and repairs to be undertaken by easily trained local labour.

Eskom estimates that providing a single light-fitting and plug would cost between R150 and R200 – compared with the R2,500 and upward for conventional methods. "It is quick and cheap to instal and will provide a tremendous step forward for people locked into primitive heating and lighting," MacRae argues.

Despite the strength of Eskom's arguments its pleas for a de-regulated, third world approach to the massive task continues to find deep-rooted resistance.

The fears are recognised at Megawatt Park. After all, the same worries surfaced among Eskom's white clerical and technical staff when senior management's determination to press ahead with creation of a non-racial meritocracy became clear.

But Ian MacRae, John Maree and other top managers have a visionary image of the future South Africa and are determined to press ahead. Their vision of the benefits of electrification includes an explosion of black cottage industries as in South East Asia or Italy. A market for domestic appliances would also be opened up.

It also offers an opportunity to fill the huge educational backlog. Citing the example of education by radio in the Australian outback, MacRae looks forward to bringing electric light for those thousands of black students who presently study by candle or firelight and the latest visual teaching methods into black homes.

In a telling argument for those whites who have atavistic fears of being swamped by the black birth rate, Eskom also points to international – and local – evidence that electrification, education and urbanisation are the essential pre-requisites for effective, voluntary birth control.

# A jaundiced view from the salesman

**Nick Garnett on strategic incompetence**

"WHY DON'T these companies let their managers stand on their own two feet, for God's sake. Young production engineers know they need new machines but directors tell them they can't have the money. A lot of directors are still making decisions from their ivory towers, miles from the action on the shopfloor. It's all still going on, you know."

This is not a comment from a handbook of British industrial failure in the 1970s, but the view today of the British sales director of a West German machine tool company.

Not surprisingly, perhaps, he wishes to remain anonymous; and moaning about the state of British shopfloor technology is obviously in his business interests. But recent figures from the British machine tool association indicate that machine tool sales might have fallen last year by as much as 10 per cent.

What amazes the sales director is the yawning gulf between the speed at which factories are updated in his own company's home base of Germany and the still-stumbling approach of the British.

"In Germany, managers have the technical perspective to make the right decisions on new machinery and once they have taken the decision they go ahead with it. I can think of one company in the UK where it has taken three years to get a decision on just half a million pounds worth of orders. Decisions taken by that company's division in Germany are much faster."

The director seems particularly irked at a couple of developments he has noticed of late. On the back of the past few years of merger mania, for example, many of the new expanding groups are laying down the law at head office about which divisions should buy what machines. Very often, he says, the pressure is to standardise equipment across the whole group. This, he says, almost always proves to be bad practice.

Another headache is the gradual erosion of in-house expertise as to machine tool requirements. His company has virtually halted all dealings with one UK manufacturer with a household name. "They have two new and good machines and the components to machine on them but those machines are just lying there because they do not have the capability of running them."

The fault, he says, does not lie with the machine operator. "There is nothing wrong with the machine operator in Britain. He is pretty bright and probably works one and a half times harder than his German counterpart. It is management support and back-up that is the problem. In some companies it is virtually non-existent."

Despite all these side-swipes, the sales director remains essentially optimistic.He says machine tool companies are beginning to see some of the larger corporations return to the market. "Given the shocking age profile of machines in so many companies there's obviously a lot to go at."

## Business courses

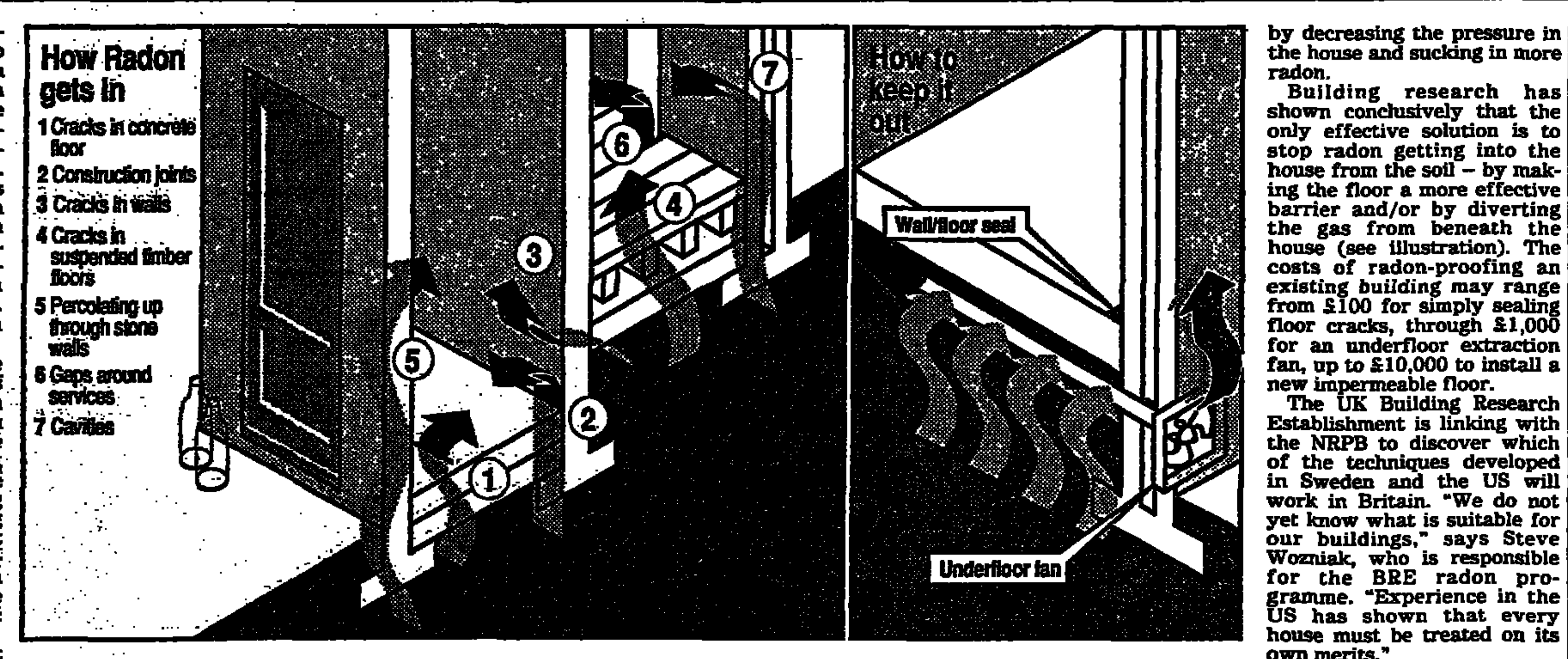
**Finance for managers**, Worthing. March 10-11. Fee: £460 + VAT. Details from Marcia Gay, MSS Services, PO Box 31, Worthing, West Sussex. Telephone: 0903 34755.

**Spreadsheet power**, London. April 25-26. Fee: £245 + VAT (one day). Details from The Infomatics Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, Trinity Road, London SW18 3SX. Telephone: 01-871 2546. Telex: 299180 MONINT. Fax: 01-871 3866.

**Epos data and decision support systems: for better retailing**, London. April 19. Fee: £300 + VAT. Details from Spectra Retail Concepts, Spectra House, 9a Peach Street, Wokingham, Berks, RG11 1XJ. Telephone: 0734 794161. Telex: 848210.

**Strategic networks**, London. March 1-2. Fee: £445 + VAT. Details from The Network Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, Trinity Road, London, SW18 3SX. Telephone: 01-871 2546. Telex: 299180 MONINT.

## TECHNOLOGY




# The killer that lurks beneath the floor boards

**Clive Cookson explains how homes can be protected from dangerous natural radiation**

UNTIL VERY recently scientists regarded exposure to natural background radiation – from cosmic rays and from traces of radioactivity in the air, rocks and all the materials around us – as an inevitable hazard of life on Earth. But research during the 1980s has shown that the main source of harmful radiation for people living in industrialised countries is a radioactive gas, called radon, which accumulates in their homes. And high levels of radon exposure can be prevented.

Effective action to reduce radon levels in houses is already being taken in Sweden, where the problem was first identified in the mid-1970s, and in the US, where the federal and state governments are spending $35m this year on combating radon. The UK Government launched a more modest programme last year, focusing on the two counties where the problem is most serious: Devon and Cornwall.

But most countries have not begun to tackle the radon problem, even though radiation experts now believe it is responsible for five to ten per cent of all lung cancer in the industrialised world. (If everyone stopped smoking, radon would be the main cause of lung cancer.)

Radon – an invisible and inert gas – results from the radioactive decay of natural uranium. All rocks and soils contain some uranium and therefore give off radon. But the amounts vary dramatically from place to place. Radon is a particular hazard in Cornwall, for example, because Cornish granite is rich in uranium and contains many cracks through which the gas can escape.

Gas from the soil can get into buildings by many routes (see illustration). Tiny cracks in the floor and gaps around pipes and cables are an obvious way in. Keith Cliff of the UK National Radiological Protection Board (NRPB) says radon is actually sucked into the house, because the pressure is normally slightly lower indoors than in the surrounding soil. (The internal pressure is reduced by wind forces on the walls and windows and across chimneys, and the higher air temperature indoors reinforces the pressure difference in winter.)

Levels of radon in the worst affected houses are thousands of times higher than in the air outside, and the NRPB estimates that more than 20,000 families in Britain are exposed at home to radiation doses above the limits proposed for workers in the nuclear industry.

Radon is dangerous because it decays into other radioactive isotopes known as "radon daughters". These form tiny dust particles in the air, and when they are breathed in some of them stick to the lungs. Their radiation may then damage lung cells and cause cancer many years later.

There is no clinical method of distinguishing cancer caused by radon from the same disease caused by smoking or other environmental factors. But epidemiological studies of uranium miners exposed to high levels of radon prove that the gas does cause lung cancer.

It is extremely hard to prove that radon exposure is causing lung cancer in the general population. However, Sarah Darby of the Imperial Cancer Research Fund epidemiology unit in Oxford hopes to provide proof by carrying out a large "case control" study in South-West England: She and her colleagues will try to interview every lung cancer patient in Devon and Cornwall over the next three years and, in collaboration with the NRPB, measure radon levels in their present and past homes.

In 1980 Sweden became the first country to set an official limit for radon in the home. Action must be taken to reduce radon levels when these lead to radiation doses above 40 millisieverts (mSv) per year, and remedial action is advised above 10 mSv.

Gun Astri Swedjemark of the National Institute of Radiation Protection in Stockholm estimates that 60,000 Swedish homes have radon levels over the obligatory action level. The problem is locating the dangerous houses so that the owners can take action. Local authorities are carrying out an intensive radon measurement programme, encouraged by the Swedish Government, but even so a recent survey showed that only about 15 per cent of houses above the limit had been identified.

In Britain the NRPB has set a radon limit of 20 mSv per year. Michael O'Riordan, who is in charge of the board's radon programme, estimates that someone who was exposed at that level over a lifetime would have a five per cent risk of dying of lung cancer.

On the basis of a preliminary nationwide survey of 3,000 homes, the NRPB believes that about 20,000 houses are above this radon limit. Most are in Devon and Cornwall, with a few hundred in the South Pennines (Derbyshire and Yorkshire).

The NRPB is now in the middle of a more systematic year-long survey to discover houses with dangerous levels of radon. Since radon concentrations vary very much with local geological conditions, the NRPB is monitoring all buildings with the same postcode or adjacent postcodes to those identified in the preliminary survey.

Each household in the survey is given two simple radon measurement devices, one for upstairs and one for downstairs. These contain a strip of special plastic that is particularly sensitive to the radiation (alpha particles) emitted by radon.

After six months in position, the devices are returned to the NRPB for processing. The alpha particle tracks are etched out of the plastic by caustic soda and then counted by computer to give an effective radiation dose. Anyone whose house is above the radon limit will be directed to the Government's Building Research Establishment (BRE) for practical guidance about reducing the level.

When high levels of radon were first found in well-insulated Swedish houses, scientists assumed that poor ventilation was allowing the gas to accumulate. But further research showed that this was not the main problem. Improved ventilation usually increases heating costs without doing much to get rid of the radon. Indeed, as Keith Cliff of the NRPB points out, if you open the wrong windows or install a fan in the wrong place, you may actually make the problem worse by decreasing the pressure in the house and sucking in more radon.

Building research has shown conclusively that the only effective solution is to stop radon getting into the house from the soil – by making the floor a more effective barrier and/or by diverting the gas from beneath the house (see illustration). The costs of radon-proofing an existing building may range from £100 for simply sealing floor cracks, through £1,000 for an underfloor extraction fan, up to £10,000 to install a new impermeable floor.

The UK Building Research Establishment is linking with the NRPB to discover which of the techniques developed in Sweden and the US will work in Britain. "We do not yet know what is suitable for our buildings," says Steve Wozniak, who is responsible for the BRE radon programme. "Experience in the US has shown that every house must be treated on its own merits."

The BRE and NRPB are working on about 20 buildings in Devon and Cornwall. In one Cornish school where radon levels were above those permitted in a nuclear plant, they achieved a dramatic improvement by diverting the gas from beneath the floor.

In addition the BRE is building a radon test rig to study different floor constructions. This includes a pit containing 400 tons of radioactive sand which emits radon at a known steady rate.

Sweden's National Institute for Building Research has developed a "radon sink" which can be installed in a back garden to drain the gas away from the soil around a house. It consists of a covered concrete tube, about one metre across and three metres deep. The sides and bottom of the concrete have holes, and there is a fan inside to suck radon out of the soil and vent it to the open air.

Hans Ostberg, whose company EFV is commercialising the radon sink, says it can cut radon levels by 95 per cent in a house several metres away. And at a cost of about £1,000 it may be less expensive and less disruptive than making structural changes to the house itself. It is sometimes possible for a group of houses to share one radon sink.

But of course it is cheaper to make sure new houses are radon-proof than to alter existing buildings. Anyone who is building a country cottage or a retirement home in Cornwall should make sure that it has an impermeable floor to keep the radon out.

## WORTH WATCHING

**Edited by Geoffrey Charlish**

### Stuttgart waters down harmful nitrates

BACTERIAL SYSTEMS that turn nitrates in drinking water into harmless nitrogen are under investigation at Stuttgart University.

Nitrates are converted to nitrites in the human gut. They are suspected of causing oxygen deficiency in children's blood and of creating cancer causing agents in adults.

To perform, the nitrate-removing bacteria need carbon compounds to feed on. Chemicals like ethyl alcohol and acetic acid have been tried, but if they are not completely used up by the bacteria residues remain which might be just as harmful as the nitrates removed.

So "firm fodder" which does not wash away into the water is being examined at Stuttgart, based on a synthetic bio-substance called PHB (polybetrahydroxybutyric acid).

This is offered to the bacteria as chips in a reactor. The bacteria reproduce and form a film on the chips, clearing the nitrates but adding nothing to the water. Large scale tests are expected soon.

### Altering the tone of desk-top graphics

GRAPHIC SCIENCES, a recently formed private UK company of Ledbury in Herefordshire, has launched its first products. Aiming mainly at the growing desk-top publishing market, the company is offering image capture, display and laser printing systems built around the IBM model AT personal computer. It has concentrated on incorporating photographic reproductions, in true half-tone dot form, into page layouts.

A monochrome TV camera, followed by a digitiser and appropriate software, allows a single frame of the TV signal to be captured and manipulated on a screen that allows cropping, image rotation and modification of the grey tones.

The picture can then be quickly incorporated into a page layout that already contains text and line drawings, created by the use of Xerox Ventura software, for example, and the result printed, with the half tones properly screened at 70, 85 or 100 dots per inch.

The system mimics the conventional half-tone block making process in which the dot size is varied (to give the required grey tones from black to white) by a photochemical process. Scanned picture data is converted electronically to signals that vary the laser printer beam and the paper drum speed to give different printed dot sizes.

A complete publishing system, which includes a high-definition, 19 inch layout screen, costs under £10,000, but parts of the system are available separately.

### A spot of colour from Honeywell Bull

HONEYWELL BULL has introduced a compact computer colour printer, the 4/41. It measures only 12 inches from front to back and can accept either sheet or fan-fold paper.

Five copies can be made on six-part paper by virtue of an improved design of high-impact print head. The machine produces typewriter quality at 70 characters per second (cps), draft text (with visible dot structure) at 300 cps, or an intermediate quality at 180 cps. Plug-in cartridges produce different founts.

The 4/41 has a mean time between failures of 9,000 hours, implying several years of trouble-free working.

The company, which in 1987 designed and made 111,000 computer printers at its Compuprint division in Italy, believes that dot matrix technology will continue to account for some 70 per cent of the world computer printer market for the next two or three years. But sales of laser printers will eventually erode this figure, and the company has begun production of printers based on this technology.

CONTACTS: Stuttgart University: contact the German Research Service in Bonn, 228 302210. Graphic Sciences: London, 940 9480. Honeywell Bull: UK office, 0442 42291.

# FT LAW REPORTS

## Shipowner bound by bill of lading

THE JALAMOHAN
Queen's Bench Division:
Mr Justice Hirst:
December 21 1987

**A SHIPOWNER who carries cargo to its destination after withdrawing the vessel from time-charterers' service cannot claim freight over and above sums paid by shippers under freight pre-paid bills of lading forming part of the contract of carriage and identifying him as carrier, if the bills were issued and signed by agents on his behalf with authority derived from him either directly through the charterparty, or by implication through a back-to-back sub-charter.**

Mr Justice Hirst so held when allowing an appeal by shippers, Ngo Chew Hong Edible Oil Pte Ltd, from a declaration by arbitrators that Scindia Steam Navigation Co Ltd, owners of the Jalamohan, were not bound by freight pre-paid bills of lading.

HIS LORDSHIP said that by a charterparty on the New York Produce Exchange form dated April 30 1986 the shipowners chartered the Jalamohan to the charterers as disponent owners for a time charter trip.

Clause 40 of the charterparty provided that "charterers or their agents are authorised to issue and sign bills of lading as presented on charterers' usual form on the master's behalf."

Under another charterparty of the same date and on the same form, the charterers, as disponent owners, sub-chartered the vessel on back-to-back terms to AFEA Hong Kong, a member of the AFEA group (as were the charterers), which operated a liner service between the Far East and West Africa. Clause 40 was in identical terms.

On the preceding day, April 19, a fixture note had been concluded between the shippers and AFEA Hong Kong, for the carriage of vegetable oil from Singapore to Lagos. The note was prepared by African Shipping Agency (ASA), and signed by them "as agents for AFEA Hong Kong". On April 30, on instructions from the charterers in Hong Kong, it was altered to show the carrier as AFEA Liberia instead of AFEA Hong Kong.

The fixture note was headed "ASA". It was expressed to be agreed between the shipper and AFEA Hong Kong. It set out certain terms, including the name of the carrier, altered from AFEA Hong Kong to AFEA Liberia. By clause 10 it provided "other terms as for carrier's bills of lading".

Freight pre-paid bills of lading dated May 13 were issued in Singapore by ASA, and signed by them "as agents". The bills bore the printed words "AFEA Line". On the next line was "incorporated in Hong Kong", but that had been deleted and underneath was typed "incorporated in Liberia".

The bills of lading contained a demise clause which provided "the contract...evidenced by this bill of lading is between the owners or demise charterers of the ship...and the merchant."

The shipowners claimed in arbitration to recover freight or *quantum meruit* from the shippers in respect of the owners' completion of a voyage after the vessel had been withdrawn from charterers' service for non-payment of hire.

The issue was whether the owners were bound by the fact that freight pre-paid bills of lading had been issued. They obtained a declaration that they were not bound. The shippers now appealed.

First, the shippers contended that the bills of lading purported to be contracts with the owners by virtue of the demise clause. The owners submitted that the true contract was not as apparently evidenced by the bills of lading, but was contained in the fixture note, which had no demise clause.

A similar clause appeared in *The Berkshire [1974] 1 Lloyd's Rep 185*. There Mr Justice Brandon held that the demise clause spelled out in unequivocal terms that the bill of lading was intended to be a shipowner's bill of lading. He said "the bill of lading contained or evidenced a contract between the shippers and the shipowners."

Mr Siberry for the shippers submitted that the same applied in the present case.

Mr Diamond for the shipowners relied on the well-established principle as to the contractual status of a bill of lading, that the bill of lading was not the contract, "for that has been made before the bill of lading was signed and delivered" (see *Scrutton on Charterparties 19th ed, 55*).

He cited cases in support of the principle. He particularly relied on *The Ardennes [1951] 55, 59-60* where Lord Goddard said that evidence could be given to show that "there was in fact a contract entered into before the bill of lading was signed different from that which is found in the bill of lading".

He submitted that the actual contract, namely the fixture note, showed that the carriers were either AFEA Liberia or AFEA Hong Kong, but not the owners.

He also relied on *Pyrene v Scindia [1954] 2 QB 402, 419* where Mr Justice Devlin said that parties entered into a contract of carriage on terms which they knew or expected the bill of lading to contain. He said "Those terms must be in force from the inception of the contract; if it were otherwise the bill of lading would not evidence the contract but would be a variation of it."

The arguments were not convincing. None of the cases cited dealt with the central point, namely the identity of the parties to the contract.

Here the crucial feature was clause 10 of the fixture note which provided "other terms as for carriers' bill of lading".

The charterers and AFEA Hong Kong were both members of the AFEA group, and the bill of lading was on the standard AFEA group form. The demise clause was one of the printed clauses on that form. Those closely involved in the market were generally familiar with forms used by liner traders. It would be natural for the shippers to anticipate that the "other terms as for carriers' bill of lading" would include the demise clause.

The shippers succeeded on the first issue, and had demonstrated that the bills of lading purported to be contracts between the shippers and the owners.

The second issue was whether the owners authorised the issue of the bills of lading on their behalf.

As to the question of actual authority, the arbitrators focused their attention on whether ASA derived such authority from AFEA Liberia.

That was the wrong approach. The crucial question was not whether such authority was derived from AFEA Liberia, but whether it was derived from the shipowners.

The shippers were in a position to establish an unbroken chain of authority on two alternative bases.

First, by virtue of clause 40 of the head charterparty, the charterers or their agents were authorised to issue and sign bills of lading "on the master's (ie the shipowners') behalf". The arbitrators found that ASA derived express written authority from agency agreements with the charterers and AFEA Hong Kong to act as agents and issue bills of lading to shippers.

That established an unbroken chain of authority from the owners down to ASA.

Second, the head charter contained a liberty to sub-let. That, by necessary implication, authorised charterers to put sub-charterers in the same position as to signature on bills of lading as the charterers were under the head charter(see *The Vikfrost [1980] 1 Lloyd's Rep 560*).

Translated into the context of the present case, the liberty to sub-let accorded by the owners to the charterers put AFEA Hong Kong in the same position as the charterers by virtue of clause 40, with authority to sign "on the master's behalf". Thus the same unbroken chain of authority was established.

As to whether the bill of lading was in the "charterers' usual form" within clause 40, there was an unequivocal finding of fact in the award that all the AFEA services used the same form of bill of lading.

It followed that the owners expressly authorised issue of the bills of lading, which were in charterers' usual form.

The appeal was allowed. The owners were bound by the bills of lading under which the shippers' cargo had been loaded, and were therefore not entitled to any freight or *quantum meruit* over and above the sums prepaid by the shippers.

*For the shippers: Richard Siberry (Holman Fenwick & Willan)*
*For the shipowners: Anthony Diamond QC and Michael Daiches (Zaiwalla & Co)*

**By Rachel Davies**
*Barrister*

# APPOINTMENTS

## Chief executive designate of Simon Engineering

**Mr Brian R.C. Kemp**, who joined SIMON ENGINEERING in July last year as managing director of its new manufacturing division and was made a director of the company last September, has been appointed deputy chief executive. As chief executive designate he will succeed **Mr Tim C. Leader** in due course. The company says it is involved in an extensive reconstruction of its profile, including a major programme of acquisitions and disposals. The reorganisation includes the establishment of the new divisional structure. The company has appointed Mr Neil Potts as divisional financial director of its engineering contracting division. He was director and general manager of Mather & Platt Machinery.

★

WEST LEIGH GROUP has appointed **Mr Peter Morse** as deputy managing director. He joined the company in 1982. West Leigh is a member of the OCS group.

★

**Mr Pat Gildea** has retired as director of sales of SKF & DORMER TOOLS (SHEFFIELD), and has been appointed a non-executive board member.

★

THE INSTITUTE OF METALS has appointed **Dr Ashley Catterall** to succeed **Sir Geoffrey Ford** as institute secretary from July 1. Dr Catterall is secretary of the Science and Engineering Research Council.

★

CHARTERHOUSE BANK has appointed **Mr Neil Fryer** as assistant director and chief money market dealer; and **Mr Ian Sangster** as assistant director and chief foreign exchange dealer. Both were promoted from manager. **Mr Colin Allinson** the bank's treasury department on February 1 as asistant chief money market dealer. Mr Allinson was chief dealer in Dresdner Bank's London dealing room. Charterhouse Bank is wholly owned by The Royal Bank of Scotland Group.

★

PLYSU has appointed **Mr Brian Haigh** as process development director of subsidiary Plysu Containers.

★

**Ms Kathryn Riley** has been promoted to executive director of COUNTY NATWEST and head of personnel. She has been with the bank, the investment banking arm of National Westminster Bank, for two years. Her career in personnel in the City began at Morgan Guaranty Trust Co of New York, followed by

the Royal Bank of Canada. She is a former chairman of Women in Banking (1983-85), and a freeman of the City of London.

★

BRITISH GAS NORTH THAMES has appointed **Mr Terry Pinchin** as regional director of marketing from February 1. He is regional service manager South Eastern, and succeeds **Mr John Allan**, who joins West Midlands as regional deputy chairman on the same day.

★

**Mr David A. Bland**, works manager in the OXFORD UNIVERSITY PRESS PRINTING HOUSE, has been appointed production director.

★

BT VISION has appointed **Mr Tim Smith**, currectly managing director of Swindon Cable, to a newly-created post, operations manager of the group. He will be succeeded at Swindon Cable by **Mr Roger Wilson** who joins the company from Radio Rentals where he was marketing manager.

★

The main board of PEREGRINE INTERNATIONAL following its public share offer is: **Mr Alan Whitaker**, chairman; **Mr Dennis Murphy**, deputy chairman; **Mr Stewart Jamieson**, chief executive; and **Mr Thomas Dootson**, **Mr Gerard Enright**, **Professor Desmond Rea**, and **Mr Roy White**, directors.

★

**Mr Geoff Muirhead** has been appointed director responsible for the UK civil engineering and building operations of SHAND NORTHERN. He was in charge of the Midland regional office.

★

SUNLEIGH ELECTRONICS has appointed **Mr Stephen Aston-Smith** as group financial controller and company secretary. He was with the Frank Horsell Group, part of the Cookson Group.

★

**Mr Richard J.Duggan** has been appointed chairman of CROSFIELDS, a Unilever subsidiary. He succeeds **Mr M.J. Cowan**, who is to become chairman of BOCM Silcock, another Unilever company. Mr Duggan, who takes up his appointment at the beginning of March, was head of laboratory at Port Sunlight and member of the international research and engineering executive of Unilever.

★

**Mr Jukka Tamminen** has been appointed managing director of NOKIA-MOBIRA, Cambridge, operating division of Nokia-Mobira, Finland. He was managing director of Mancon, Wakefield, UK subsidiary of a Finnish packaging machinery manufacturer.

★

**Mr Michael Smith** has been appointed general manager, financial and information systems of 3M UNITED KINGDOM. He was treasurer.

## Television/Christopher Dunkley

# The case for cameras covering the Commons

Contrary to popular belief, widespread these days even among MPs, it was not the gathering at Westminster which John Bright referred to when he coined the phrase "mother of parliaments." What he said was "England is the mother of parliaments," and what he meant, I take it, was that we, the English people, had given birth to the idea. Now, more than 100 years since the creation of that metaphor, it is surely time that we were able to keep an eye on our offspring.

Legally we are entitled to do so, of course. Provision is made for the proud parents to watch the mewling infant from the public gallery, but unfortunately we are rather an odd family: 649 children and 40 million parents, so even if we could all afford the time and fares to get there, we would not all fit in.

Fortunately this problem can now be solved very simply: the television camera can stand in the public gallery, in loco parentis, acting as our eyes, and sending pictures back to us in the sitting room. Unfortunately, each time this idea has been proposed in the past the children have thrown tantrums and so far they have managed to prevent the cameras being installed.

We, the parents, who begat the 649, and support them in the considerable style to which they have become accustomed, have been polite and long-suffering in this matter – positively Spock-like in our tolerance. But now, with another debate on the subject expected soon, it is time we threw our weight around a bit and put the little terrors in their place.

We know that Maggie, the nursery ringleader, is anxious to keep the cameras out because she is afraid they would reveal to us the children's babyish behaviour. Some suspect that she is also anxious about her own standing: though she has learned how to impose her will with a heavy hand, it is common knowledge among insiders that she is not the most impressive of performers at nursery tea.

**Conservative MP Emma Nicholson putting her case in next Monday's "World in Action" programme**

In response to pressure from her opponents at Question Time she has developed a technique of massive retaliation, chucking great wads of statistics across the table in an attempt to smother the onslaught. This often leads to a shouting match, and it is the resultant cacophony which has done most to damage the image of the nursery in the eyes of the grown ups.

The trouble is that the baby alarm system (radio) which is currently the only means broadcasters are permitted to use, transmits a bafflingly chaotic noise, creating in the minds of the listeners a vision of behaviour which is far worse than the reality. The British nursery is traditionally conducted more like a family affair than are its imitators in the USA, Germany, France and so on. The atmosphere has always been more hugger-mugger, or at least conversational; to this day no great Parliamentarian would *read* a speech in a major debate. While American politicians may tediously "read into the record," British politicans attempting the same will be taunted with cries of "Reading! Reading!"

Many MPs are proud of this close, almost clannish atmosphere yet, as with so many of the arguments over the installation of television, they do not trust the rest of us – the people who put them there – to understand, or, if we do understand, to sympathise.

These arguments over detail almost all have equal weight on either side. Would the cameras not encourage the bores? Perhaps, but they might also tempt back into the chamber some of the better speakers who now appear so infrequently. Would television not stimulate bad behaviour on the Dennis Skinner pattern? In some, maybe, but it seems just as likely to prevent the sort of behaviour which occurs at present because MPs know their parents...their constituents...cannot see them. Won't those who are already star performers benefit from the cameras while the quieter ones become even more obscure? On the contrary, television usually favours the quieter, subtler, performer (Frank Finlay, Dirk Bogarde) over the master of the theatrical gesture (Olivier, Wolfit).

In an age when political power is increasingly concentrated in the hands of the few, and especially in the Prime Minister's, television could have the healthy effect of returning a little influence to the backbenchers: yet another reason for Maggie's opposition no doubt.

What will happen if television is not allowed into the Commons? It is happening already. More and more aspects of public life are mediated by television, and where government is concerned the broadcasters will not simply stand still. Some time ago the centre of gravity began to shift away from Westminster and into the television studios at Wells Street and Wood Lane.

Television journalists may not have the courage of their predecessors in the Press who, excluded from the House in the early 18th century, bribed the gatekeepers and smuggled in memory men who could bring out verbatim reports in their heads, for publication in The Gentleman's Magazine and The London Magazine. It is hard to imagine ITN's David Nicholas or the BBC's John Birt smuggling cameramen with miniature camcorders into Westminster; but the shift is already occurring anyway.

MPs may be able to stop the cameras coming to them but they cannot stop one another going to the cameras. Most politicians are only too glad to be invited to the studios to take part in *Weekend World, Panorama, World In Action, A Week In Politics, This Week, Newsnight, Question Time, Channel 4 News* and – as from last week – *The Parliamentary Programme*, ITN's promising daily magazine presented by Glyn Mathias.

Whatever happens at Westminster such programmes will continue and even proliferate, and while the primacy of Parliament will survive in a legal and constitutional sense (let us hope) television will become more and more important in the daily political system, just as it has already acquired such a central role in general elections.

If that process is allowed to continue, the danger, especially during periods when one party has a hefty majority, is that Westminster will be seen increasingly as an emasculated talking shop with political power monopolised by the Prime Minister and, to some extent, the Cabinet, while any residual political influence continues to flow into the hands of the clique most favoured by television: the Currie, Hattersley, Owen circus.

It is surely better from all points of view – voters', MPs' and broadcasters' – that the Westminster cockpit should remain at the centre of affairs, and that politicians should have a powerful say in the televising of their own activities. Paradoxical as it may sound, nothing would be more effective in reducing the shift in power from Parliament to television than the decision to allow cameras into the Commons.

All the arguments point in that direction. The televising of the House of Lords since May 1986 has done nothing but good for the peers and the public. The other major democracies, from France and Germany to the USA, have allowed the cameras in without any trouble. The old fear that MPS would have to fry under hot lights is out of date. The experience of watching the House of Representatives and Senate committees at work on the CNN channel in the States suggests that television can do wonders in improving the public perception of government and politicians merely by showing them at work, as they really are.

But however persuasive such practical considerations may be, there are larger and more important principles above and beyond them, to do with such matters as democracy, access and accountability. Like all parents we may find that our offspring frequently try our patience, and from time to time even infuriate us; yet we are quite proud, really, of what we have created. We do believe, however, that we have a right to see what the children get up to in our name, and we doubt whether they have much right to go on preventing us.

## Les Liaisons Dangereuses/Paris

**Michael Coveney**

Christopher Hampton's play has been unwisely commandeered by the boulevardiers in Paris. I am reluctant to sound smug or proprietorial, but on the evidence of this sorry new production in the gem-like former stomping ground of Sacha Guitry, the Théâtre Edouard VII near the Opéra, Mr Hampton and the Royal Shakespeare Company have a greater understanding of Laclos than does the contemporary French theatre.

Hampton's play was obviously too good for Broadway to stomach – it failed there – but continues at the Ambassadors in London. You would have thought that the French would want to do their own adaptation (there is room for improvement on Roger Vadim's film). But no. Jean-Claude Brisville's plodding, unimaginative translation, and Gérard Vergez's execrable production, follow the hard evidence of Hampton's text, the exact order of his eighteen scenes, but miss entirely the point of his dramaturgy.

This was, in the first place, to concoct a bitter comedy of recrimination and seduction among doomed denizens of the Bois de Vincennes shortly before Madame Guillotine mercifully intervenes to cut off their heads. Laclos' novel is composed entirely of epistles or, if you like, French letters.

Hampton invented a scenario, imposed dramatic rhythms on a house party, and referred the rancidly amorous husk inhabited by the Vicomte de Valmont and the Marquise de Merteuil to such wisely *competitive* duellists as Beatrice and Benedick, Millamant and Mirabell.

Hampton's 1985 adaptation was a far cry from Heiner Muller's Laclos play, *Quartet*, which preceded it by several years and has been widely performed throughout Europe. It would be tragic if this version should become totally eclipsed by the reputation of Muller's. But unless it falls into responsible Continental hands quite soon, the possibility of that happening is distinct.

*The tactics of educative* rape and degradation in Laclos are palpably revolting, but Hampton, in the case of the Vicomte's assault on the 15 year-old Cecile, treads a fine line between de Sade and Wycherley. The seduction is both an exercise in style and an affront to decency. In the RSC production, there was nothing objectionable in the presentation. In Paris, you feel dirty at being implicated.

This has something to do with Bernard Giraudeau's vain and posturing Vicomte, a cad with designer stubble who is neither pathologically driven nor genuinely sportive, as was Alan Rickman. The playful poking of a courtesan is similarly robbed of its humour and delight, no acceptable equivalent found for the Vicomte's expressions of mounting excitement. The actress in question remains fully clothed and wigged, upturned like a porcelain painted figure.

What was once joyful and spirited has become lifeless and smutty. There is no tension or spiteful barbarity in the exchanges between M Giraudeau and Caroline Cellier's stiffly decorative Marquise. Their contest and recapitulations are flattened into images of unflinching, unvarying Watteauesque propriety.

The design reflects this, a meaningless arrangement of false, brutally uninteresting walnut prosceniums in front of a bland mural of romanticised social scenes. As if that were not bad enough, Ilona Sekacz's poisoned harpsichord music for the RSC has been usurped by low grade Mozartian meanderings.

All revolutionary premonitions are ditched, though Françoise Darne's decor offers confused patrons a steel sheet for the final scene. The card school is dispensed with, and one has no sense of passing time. The duel is drained of all excitement to facilitate a languid demise for M Giraudeau.

## Malcolm Bilson/St John's

**Richard Fairman**

As an increasing number of conductors and orchestras have come forward wanting to perform the music of the classical era on period instruments, so there has been a need to find keyboard soloists to work with them. Few traditional pianists seem willing to try their luck on a fortepiano and somebody has to take the place occupied by Brendel or Perahia in conventional performances.

Among this new wave of performers, it is Malcolm Bilson who has come most visibly to notice. While his cycle of the Mozart piano concertos on record has been widely acclaimed, a few doubts have lingered as to the depth and range of the interpretations it has to offer. But at this solo recital – a brisk and impassioned lunchtime at St John's, Smith Square – those reservations were largely confounded, at times triumphantly so.

Of course, the instrument itself (at this recital Bilson played on a modern reproduction of one of Mozart's fortepianos) dictates to a large degree how the music should sound. Melody is reduced in effect; rhythm and percussive attack become all-important. There is no excuse for being prissy in this repertoire anymore and one of the best features of Bilson's playing has always been its outgoing vigour.

What we gained, though, at this recital was a new and unexpected concern for keyboard colour and expressiveness. The central minuet of Haydn's A flat Sonata Hob 43 introduced a tonal quality radically different from what had *gone before; and in three fantasies* by Mozart, C.P.E Bach and Haydn the range widened so powerfully that it seemed the old inclination to play each run of semiquavers the same as the last had been forgotten.

The following Mozart Sonata in B flat K 333 showed that it had not. This is an unusually lyric piece, which shares some of the human depths of the great Mozart operas, and it was disappointing to hear the most affecting phrases of its first movement rendered merely spruce and tidy. By this point, however, the C Minor Fantasy had already scalded a place in the memory: there cannot be a romantic virtuoso alive who would dare play Mozart with a force like this.

## Marées and the German Romanists/Munich

**Gunter Kowa**

The history of German culture has been influenced by Italy since the Holy Roman Empire of the German Nation. Winckelmann and Goethe talked of being reborn in Rome; Italy as land of sensuous form and rich colour offered an indispensable education for men of letters and artists alike. That was still the attitude of Boecklin, Feuerbach, Hans von Marées and Hildebrand, artists collectively known as the "German Romanists," when they fled from German bourgeois society in the second half of the 19th century to an Italy as yet untouched by industrialisation.

In a double anniversary year of Marées, Munich devotes a cluster of exhibitions to their work (until 20 Feb, to travel jointly to Rome in April 88), which at first sight may well appear to plumb the incomprehensible depths of German profundity. To point out that there are definite links to the music of Brahms, Mendelssohn, Wagner and Reger, which is not normally considered a purely German phenomenon, may begin to put this art in a wider context.

The four artists crossed paths at different times in Rome and Florence from the 1850s. Although they remained highly strung individuals with very different approaches to art, forming no group or movement, they did react to one another's work and there are clear cross-references.

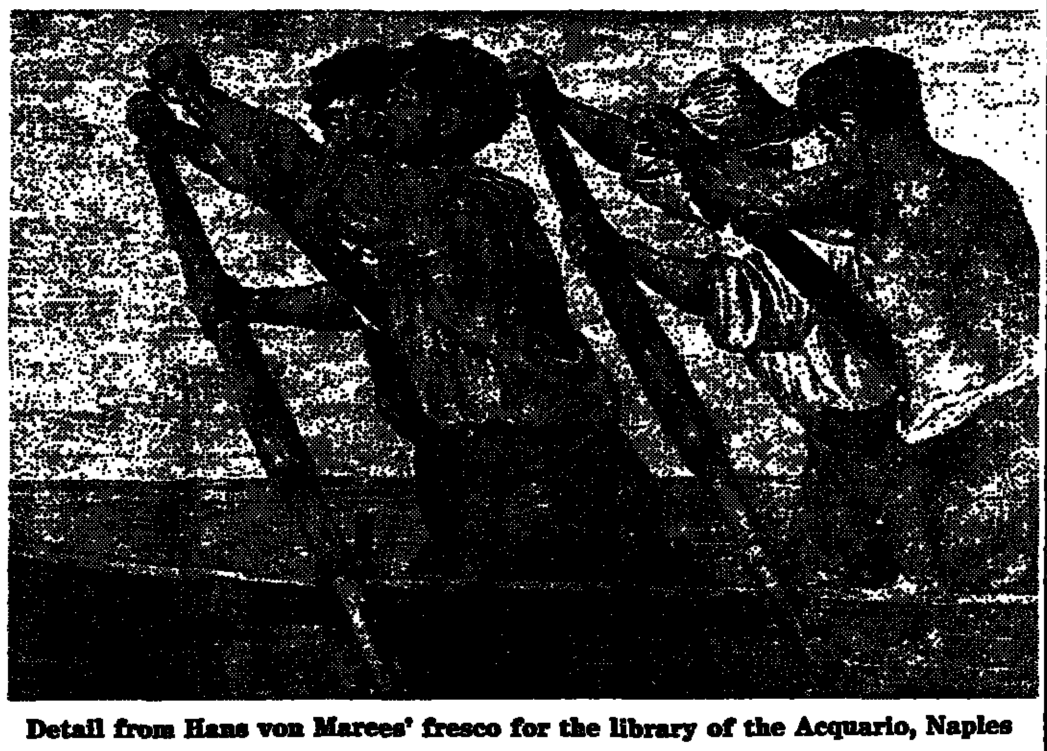
The Neue Pinakothek has long been the holy grail of the paintings of Hans von Marées, an artist bent on the quest for perfection and eternal values in art. The museum has gathered round its nucleus of late paintings works from all periods, and shows its own collection of drawings and, at the the Schack Galerie, Marées' remarkable series of copies of Italian old masters, reluctantly produced for Count Schack to finance a first Roman sojourn.

The self portraits vividly describe the artist's road to asceticism and his withdrawal into rigorous discipline, the drawings showing a ceaseless preoccupation with the composition of figural relationships in restricted space. With recollections from Michelangelo, Signorelli and Pompeian frescoes he toiled over wall-sized panels, his substitute for murals, which he considered the highest mission in art. Male and female nudes of different ages are grouped in studied arrangements under orange trees. Titles like "The Golden Age" and "The Hesperides" hint vaguely at classical subject matter.

Marées did paint one fresco cycle, for the library of the "Acquario" in Naples, founded in 1873 by a German biologist. The small neoclassical building stands in the park by the shore of the bay. Travellers to Naples are urged to go and see the frescoes on site, although the exhibition mounts half-size colour reproductions of great quality. The painter depicts himself with a circle of friends in a trattoria by the sea, watching scenes from a carefree southern lifestyle, men and women in an orange grove and fishermen preparing the nets and rowing a boat, with Capri in the distance. All are at harmony with themselves and with nature.

The young sculptor, Hildebrand, was working with him and Marées, sensing a similar concern for values of form and composition, had hoped to settle with him in Florence to a life revolving around art. But Hildebrand's much more open-minded and sociable character brought this union to a rapid and unhappy end, despite Hildebrand's acknowledged debt to Marées' aesthetic theories. This is clearly visible in accomplished reliefs, echoing Donatello and Greek funerary steles. They are a veritable discovery to be made in the exhibition devoted to the other Romanists, unfortunately segregated from Marées in the Haus der Kunst museum.

Feuerbach, the nephew of the anti-Christian philosopher, brought with him to Italy much classical learning and a Goethean literary tradition, for which he was determined to find a painterly equivalent. Emulating Titian and Raphael and enraptured by the classical features of a Roman shoemaker's wife, whom he abducted, he proceeded to stage such subjects as Iphigenia on Tauris,



**Detail from Hans von Marees' fresco for the library of the Acquario, Naples**

Medea contemplating the murder of her children, the Symposium of Plato, etc. These highly stylised pictures by one who considered himself an unrecognised genius are supposed to express profound concepts like spiritual desire and the inevitability of fate, but their insistence on learning and artistic pedigree robs them of any immediacy however much one may admire their solid qualities of execution.

Boecklin, the Swiss-born painter, who roamed the hills around Rome and Florence and watched the waves breaking on the rocky shores of Liguria, was of the four the most entranced by landscape. For him, pre-Olympian deities found refuge there, Pan in dry and stony hills, tritons and nereids in inaccessible caverns by the coast, which he saw through the eyes of a shepherd or a fisherman of ancient times. Here are some of his most famous images, like "Panic Terror," a herdsman scared away with his goats by Pan lurking behind some rocks, and the "Triton and Nereid" far out in the sea. Boecklin's compelling imagery influenced the Symbolists, and a whole generation stood in awe before his melodramatic "Island of the Dead," apparently inspired while rowing across to the island of Ischia. Boecklin's highly realistic depiction of nature leaves one pondering the possibility of Pre-Rafaelite influence.

## £1m for South Bank music

**Antony Thorncroft**

London's South Bank Centre is enjoying a new lease of life under the entrepreneurial management that took over from the GLC, and yesterday it announced two important initiatives. The more flamboyant was *End Games*, a cultural pantechnicon which covers all the spaces on the site, from the National Theatre to the Purcell Room, with works of art created in the late years of the Masters. But perhaps the more significant is a major commercial sponsorship, from British & Commonwealth Holdings, which will pump nearly £1m into especially devised music programmes over the next five years.

The idea for *End Games* came from a chance conversation between Sir Peter Hall, retiring director of the National Theatre, and Nicholas Snowman, artistic director of the South Bank Centre. When he discovered that Sir Peter was to direct Shakespeare's three major late plays, *Cymbeline, The Winter's Tale* and *The Tempest* as his envoi at the NT, Snowman extended the idea to "late works" by major artists.

Now, between April 21 and July 4, there will be a festival devoted to those compositions in which artists nearing the end of their lives could, according to Snowman, "shake off the need to impress and tell the truth in their works". Apart from the Shakespeare, which opens the festival on April 21, there will be forty two concerts in the three music halls, covering compositions by Mozart, Beethoven and Chaikovsky, across to valedictory works by Dowland, Berg and Ives. Some of the music is introspective, such as Beethoven's chamber works;some almost *youthful*, such as Verdi's *Falstaff*.

All four London orchestras will be involved, as well as the Bournemouth Sinfonietta and the Halle. To some extent the music on offer is indistinguishable from the annual South Bank diet but to keep the festival spirit going orchestras, like the LPO, have been prepared to change their schedule to play works like Mahler's 9th Symphony.

The National Film Theatre is joining in with a season of twenty "late films" by directors of the stature of Huston, Bergman, Chaplin and Bunuel. Just to stir things up, also included is *Citizen Kane*, produced by Orson Welles when he was 24, but retrospective in its approach. The Hayward Gallery is offering "The Family of Man," a group of bronze figures by Barbara Hepworth, and even the Tate *is stretching out across* the Thames with a late Picasso exhibition from June 23.

This first major get together by the South Bank's arts complexes may have no very coherent theme, and dazzles by its size rather than by its insights, but it is the shape of things to come.

Nicholas Snowman has long wanted to introduce themes to the South Bank. Even more important to the Centre's success has been its coup in attracting what is probably the largest ever musical sponsorship in the UK. British & Commonwealth, the financial, aircraft, and hotel conglomerate, has done some minor sponsorship, of the English Chamber Orchestra and the Orchestra of the Age of Enlightenment, in the past, but this committment makes it a major force. B & C will play a prominent part in End Games, supporting twenty three concerts. There is some delicacy needed in sponsoring a series when individual concerts are backed by other sponsors but the issue seems to have been resolved. In the autumn of this year it will aid the complete Beethoven String Quartets *played by the Alban Berg Quartet*, and future plans include a Haydn series in 1989 and a major Mozart celebration in his bicentenary year of 1991. The South Bank intends to use the B & C cash to mount some imaginative, better rehearsed, programmes, outside the conventional repertoire.

# Arts Guide

January 15-21

### Theatre

#### LONDON

**The Rover** (Mermaid). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. It plays in repertoire with the Chernobyl play, Sarcophagus, an urgent but clumsily crafted hospital drama. (236 5568/638 8891).

**Antony and Cleopatra** (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life. (928 2252).

**The Phantom of the Opera** (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. (839 2244, CC379 6131/240 7200).

**Follies** (Shaftesbury). Stunning revival, directed by Mike Ockrent *and designed by Maria Bjornson*, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

**Serious Money** (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy *dealings* on the Stock Exchange. (836 3028, CC 379 6565).

**A Small Family Business** (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252).

#### NEW YORK

**Fences** (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role. (221-1211).

**Cats** (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).

**42nd Street** (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film. (977 9020).

**A Chorus Line** (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which songs are as auditions rather than emotions. (239 6200).

**La Cage aux Folles** (Palace). With some tuneful Jerry Herman songs, *Harvey Fierstein's adaptation of* the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

**I'm Not Rappaport** (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life. (239 6200).

**Les Miserables** (Broadway). *Led by* Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

**Starlight Express** (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation. The spruced-up stage with *new bridges and American scen*ery distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

**Me and My Girl** (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous *lead* role for an agile, engaging and deft actor, preferably British. (947 0033).

#### WASHINGTON

**Enrico IV** (Arena). Pirandello's mystery of the man who imagined himself as Henry IV of Germany. (488 3300). Ends Feb 21.

#### CHICAGO

**Passion Play** (Goodman). Peter Nichol's clever twinning of the characters as they conduct a duplicitous affair adds an edge to the view of contemporary life in London. (443 3800). Ends Feb 13.

#### TOKYO

**35 Steps** (Aoyama Theatre). Song and dance with the Shiki Theatre Company which specialises in musicals and which is celebrating its 35 anniversary this year. The evening features 35 extracts from past, present and future Shiki productions – from West Side Story to Phantom Of The Opera. (0120-489444). Ends Feb 21.

**Kabuki** (Kabuki-Za). Tokyo's main *Kabuki theatre is celebrating its* centenary with a year-long festival featuring perennial favourites and new works. The morning programme this month includes Kanchinjo, in which the wily servant outwits his master's pursuers. The afternoon programme has another popular piece, Sukeroku. Excellent earphone commentary in English. (541 3131).

FINANCIAL TIMES

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Wednesday January 20 1988

# A voice for Hong Kong

The UK Parliament today has a belated opportunity to press the Government about whether it is taking the aspirations and interests of the people of Hong Kong sufficiently seriously, or whether calm diplomatic relations with Peking have a higher priority.

Sir Geoffrey Howe, Foreign Secretary, will open today's debate. He should grasp the opportunity to convince a growing number of sceptics that Britain is not marching backwards away from its responsibilities to the colony prior to its return to Chinese sovereignty in 1997.

Britain privately indicated clearly and repeatedly after the Sino-British Joint Declaration on Hong Kong was signed in 1984 that it wanted some members of Hong Kong's Legislative Council to be directly elected by 1988. Successive public opinion polls show the majority of Hong Kong citizens want the same thing. An official survey indicating that opinion was divided about whether direct elections should be introduced now or later was discredited by the authoritative Hong Kong Statistical Society which said the methodology of the key question was flawed.

## Implacably opposed

The Chinese are implacably opposed to any direct elections in 1988, and there are now worrying suggestions that the colonial government's white paper on the subject, due on February 10, will argue that elections this year would not, after all, be timely.

The issue of the timing of direct elections is not only the most pressing of the issues affecting the Hong Kong people's future. It is also the clearest possible test of the UK Government's good faith, and of its ability to resist being given the run around by Peking.

The next Legislative Council elections after 1988 are in 1991. So this is the last year in which direct elections can be introduced before China's Basic Law, covering the administration of Hong Kong for 50 years after 1997, is enacted in Peking in 1990. If no system of direct elections is in place by 1990, the Chinese will thereafter be able to insist with powerful logic that only arrangements compatible with their Basic Law can be introduced.

## Good forum

Failure to introduce direct elections in 1988 will be tantamount to an official admission that the risk of any ensuing row with Peking is intolerable and that Britain will follow where China leads, irrespective of the wishes of the Hong Kong people.

The Commons is a good forum in which to ensure that the Hong Kong people, who have not been generously treated in terms of immigration and nationality, are at least left with a worthwhile franchise. The urgent need today is for a clear and principled statement that Hong Kong remains more important to Britain than a few ruffled Peking feathers, and for such a commitment to be embodied in direct elections this year. Britain's strongest card is the knowledge that the Chinese would have to unpick democracy in the full glare of the world spotlight after 1997. Any attempt to do so would fulfill the pessimists' worst fears, resulting in the flight of capital and confidence which it is in China's own best interests to avoid.

# Affair of arms in Argentina

THE most encouraging feature of the brief military rebellion in Argentina was that loyal troops moved against the rebels. Nothing could have been more perilous to Argentine democracy than orders from the army high command being disobeyed in sympathy with the rebels.

This was the fear during the rebellion last Easter led by Col Aldo Rico, the man behind the latest venture; and it was never fully dispelled then, since President Raul Alfonsin made concessions to avoid bloodshed and any real test of the troops' loyalty.

## Military mavericks

However, there was no such ambiguity this time. When challenged by force, the renegade colonel quickly surrendered. The various military protests elsewhere in the country evaporated with even greater speed when confronted by determined loyal troops.

No Argentine can feel comfortable that the country harbours a group of disgruntled military mavericks. But the armed forces as a whole have been seen to uphold constitutional order in the face of unacceptable demands. Col Rico sought the removal of the senior commander and a vindication of the military's role in the "dirty war" against the left during the period 1976-82.

It is significant that the rebel soldiers chose to make their stand conveniently close to the Brazil-Uruguay border, far from the capital. Vainglorious rather than courageous, they lacked supporters in the country and had none outside.

In the wake of the rebellion, the armed forces have an opportunity to integrate more fully into civilian society. The military cannot easily be forgiven for the abuses of human rights during the "dirty war" or for the Falklands debacle; but the armed forces now have to demonstrate that they no longer claim a special right to intervene in politics.

Col Rico and other malcontents may well be the focus of further discontent. The authorities must not make concessions in disciplining the rebels.

# Regime for radio

IF IT ain't broke, don't mend it, runs the old adage – and there are no doubt many radio listeners in Britain who are prone to feel that way about a system of broadcasting that has served them well over the years. Yet Britain has less – and arguably less diverse – radio than many other developed countries. Equally important, the availability of new frequencies calls for a major overhaul of the regulatory structure by the turn of the decade. In deciding to stick with the key proposals in last year's Green Paper on radio, while plumping for a new independent radio authority, Mr Douglas Hurd, the Home Secretary, has rightly opted for a relatively liberal environment in which consumer choice enjoys high priority.

Alongside the existing BBC services, there will be scope for three new national commercial radio channels, together with a plethora of local and community stations. They will be subject to regulation with a light touch, which means that programme operators will be responsible for their own services, subject to requirements of accuracy, balance and decency. The Green Paper's suggestion of competitive tendering for the national radio channels, which originated in the Peacock Committee report, remains; and the new authority will be expected to assign licenses between those applicants whose programme plans pass the test of widening consumer choice.

## Clear loser

A clear loser in all this is the Independent Broadcasting Authority, which had hoped to play a more important part within the new regulatory framework. But to create a new watchdog specifically for radio avoids obvious conflicts and sends a signal to potential commercial operators that this will be a very different regime from the one that applies to commercial television. Only time will tell whether a system in which the BBC enjoys the freedom to pursue its own radio ambitions within the constraints of the licence fee, while commercial operators provide lightly regulated competition, will generate the innovative broadcasting that the Government hopes to see. But here is one area, at least, where the Government is taking a modest step away from the centralising, nanny state – something, in fact, to be grateful for in the present climate.

**Martin Wolf analyses the issues underlying the Government's public spending plans, due out today**

# A diet for Leviathan

FOR THE TREASURY, Britain's history since the Second World War is divided, like Caesar's Gaul, into three parts: first, relatively good years up to 1957; then the 19 bad years ending in 1976; finally, good years ever since.

In good years the Prime Minister and the Chancellor present a unified front against the spending departments. In bad years the Prime Minister – or sometimes even the Chancellor – encourages greater spending, this being viewed by the Treasury as the equivalent of going native.

It looks as though 1988-89 will be another good year for the Treasury and the Chancellor promises more to come. According to the Chancellor's Autumn Statement, general government expenditure (excluding privatisation proceeds) is expected to grow by just over 1 per cent in real terms (deflated by the gross domestic product deflator at market prices) above the level for 1987-88. The share of general government expenditure (excluding privatisation receipts) in GDP will fall from 42½ per cent to 42 per cent, the lowest level since 1972-73. By 1990-91 the share of government expenditure is projected to be as low as 41¼ per cent.

Despite these successes, complacency would be unwarranted. After all, in the 1980 Public Expenditure White Paper the Government had put forward the objective of reducing public expenditure progressively in volume terms over the succeeding four years. Subsequently, the aim was restated as one of holding the level constant in real terms. Currently, the aim is just to lower the share of public expenditures in GDP. These successive modifications suggest the Government is on a slippery slope, with return to bad old ways always threatening.

Could public expenditure control then go the way of monetary targets? Would it matter if it did? If control is necessary, is it being exercised in a sensible way and for reasonable objectives? These are the questions that naturally arise when a Public Expenditure White Paper is about to be published. To attempt to answer these questions one needs first to put current battles in their longer term context.

The price of financial rectitude is, indeed, eternal vigilance, as inspection of the historical record shows. In an article in Economic Trends of October 1987, Graham White and Helen Chapman of the Treasury have put together valuable information on these longer term trends. Looking at the chart, one can observe the growth of public spending and so of the role of the state over the last century. From 9 per cent of GDP in 1890 it grew to an all time peak of 48.8 per cent in 1975.

One point is clear: public expenditure is unlikely to rise by the same share of GDP over the next century. But another point is implied: the political battle to prevent another such rise is likely to be both hard and unremitting, especially since the existence of large spending creates the lobbies for further expansion.

Looking at the period between the mid-1950s and the mid-1970s, one finds that the share of spending in GDP rose from about 33 per cent to over 48 per cent. This expansion of the role of the state after the Second World War was, it should be noted, by no means exceptional, as has been made clear in a study of the role of the public sector published in OECD Economic Studies in Spring 1985. Between 1960 and 1982, the mean ratio of government expenditure to GDP rose from 26 to 47 per cent for the OECD countries, with the UK's rise being less than the average. Contrast Sweden, for example, where the share of government spending rose from 31 to 67 per cent.

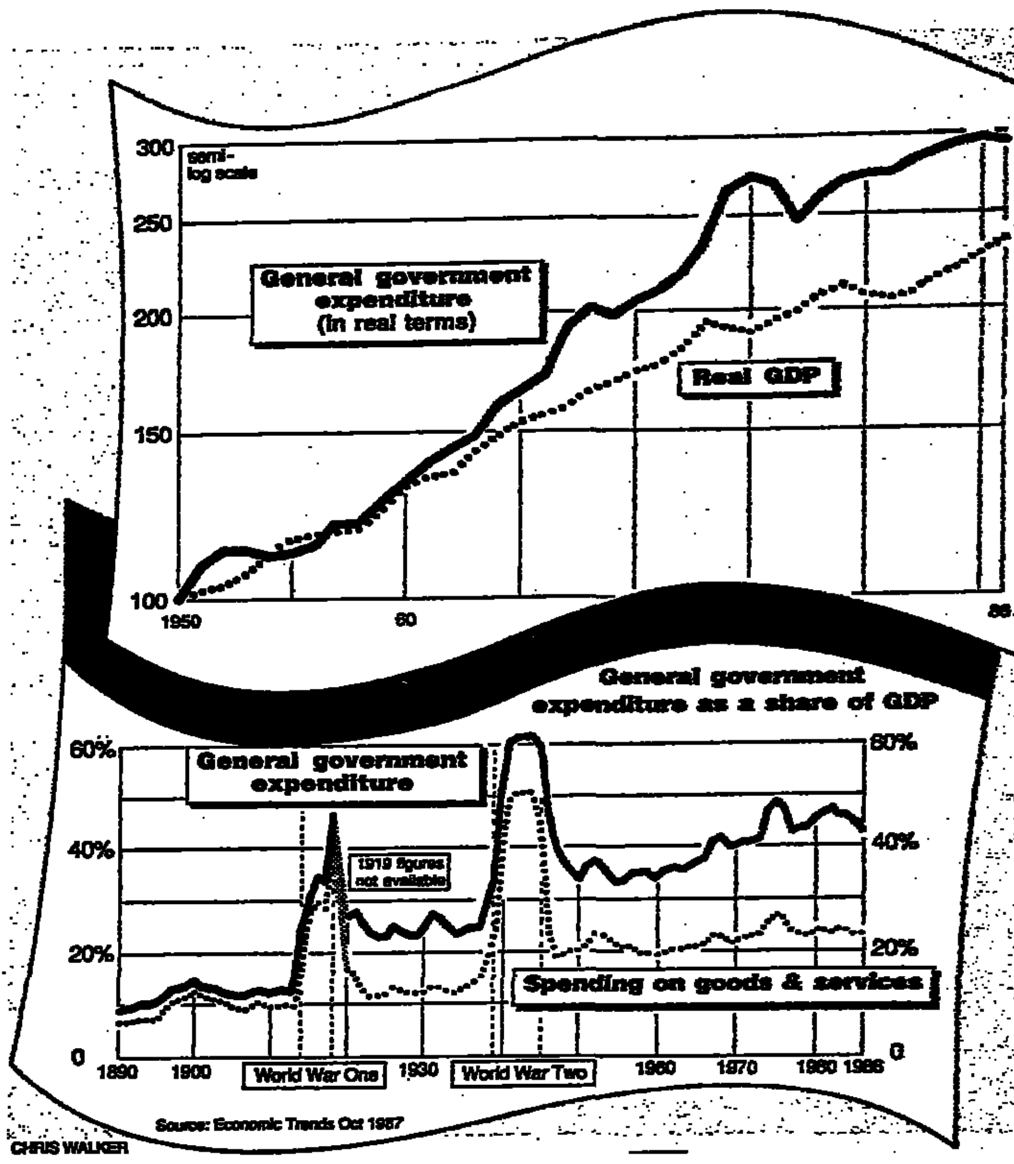
None the less, the growth in the UK between 1957 and 1975 was rapid (as the chart indicates) and proved to be politically, if not economically, unsustainable. Between 1957 and 1975 government expenditure in real terms rose at a compound annual rate of 4.6 per cent, GDP rising over the same period at an annual rate of 2.7 per cent.

How "good" were the subsequent years? From 1975 to 1986 public expenditure grew at a compound rate of less than 1 per cent a year in real terms, while GDP grew at 2 per cent. From the Treasury perspective, therefore, when governments have been good they have been very very good, but when they were bad they were horrid.

The mid-1970s were the watershed for public spending in the UK. Starting with Mr James Callaghan and Mr Denis Healey, Leviathan has been put on a strict diet. Despite the rhetoric, that diet was strictest under the Labour government, under which real spending was cut by 8 per cent in the two years after 1975 and then kept below the 1975 level throughout the balance of its period of office. The real level of public spending has not been cut in any year under the Conservatives and in 1986 was 10 per cent above the 1979 level.

These trends confirm one of the theses of a book by M.S. Levitt and M.A.S. Joyce (The Growth and Efficiency of Public Spending, published by the National Institute of Economic and Social Research in the Autumn of 1987). Which party is in power does not determine the growth of overall spending; the trends cut across changes in government.

How has public expenditure been controlled in the years since 1975? In particular, has there been an across-the-board decline in growth or has control been exercised more selectively?




Certain historically important parts of government spending have, indeed, declined dramatically. In 1973, for example, investment was 12 per cent of general government spending. In 1986, it was 4.5 per cent. The real level of fixed investment has fallen by over 50 per cent since 1974, with the most important victim being housing. In the early 1970s capital grants and net lending to the public and private sectors were about 9 per cent of GDP. By 1986 they were down to 1.8 per cent. Subsidies, too, have declined from a peak of 7.6 per cent of spending in 1974 to 4 per cent in 1986.

Again, it should be stressed that it was the Labour Government that cut these activities most savagely. Investment, for example, had fallen by 44 per cent in real terms below the 1974 peak level by 1979.

Meanwhile, current expenditure on goods and services (most importantly, defence, education and health, which together accounted for 36 per cent of total general government spending in 1986) has survived relatively well. In 1986 the real level of such spending was 19 per cent higher than in 1975 and 18 per cent higher than in 1979.

Even more striking is the growing role of current transfers to the personal sector, such as pensions and unemployment benefit, which were 31 per cent of all general government spending in 1986, up from 20 per cent in 1975 and 25 per cent in 1979.

While it has, indeed, proved possible to cut certain parts of public spending to the bone, it has been impossible to avoid imposing tight controls almost everywhere. Indeed, the problem of what to do about priority areas gets progressively greater as the remaining areas dwindle away. Since social security, public order, defence, education and health accounted for some 71 per cent of spending in 1986 (up from 54 per cent in 1975) and debt interest accounted for another 10 per cent (up from 8 per cent), overall control has necessarily entailed tight control in these priority areas.

It is at this point that the book by Levitt and Joyce makes another contribution. The Government has attempted to analyse real spending by deflating current spending by the GDP deflator. But if one wishes to estimate the volume of provision of labour-intensive services, such as education and health, that have lower rates of productivity growth than for the economy as a whole, the GDP deflator is inappropriate. An alternative way of evaluating provision in any particular area is to use an own-cost deflator, one based on the cost of inputs used in that sector.

**EXPENDITURE ON GOODS AND SERVICES**

| | | 1969 | 1975 | 1979 | 1986 |
|---|---|---|---|---|---|
| Defence | real | 100 | 114.1 | 118.9 | 142.7 |
| | volume | 100 | 94.6 | 94.6 | 102.5 |
| Education | real | 100 | 146.6 | 129.3 | 139.8 |
| | volume* | 100 | 134.6 | 136.7 | 137.3 |
| Health | real | 100 | 151.2 | 157.7 | 187.2 |
| | volume | 100 | 128.2 | 142.6 | 158.0 |

Real values are deflated by the GDP deflator
Figures for volume are deflated by an own-cost deflator
*Refers to education under local authority control
Levitt and Joyce, The Growth and Efficiency of Public Spending and National Account, Blue Book, 1987 edn

Levitt and Joyce show that the two methods of deflating give very different results. Using the GDP deflator, real spending on defence rose by 20 per cent between 1979 and 1986, while the volume (using the own-cost deflator) rose by only 8 per cent. For education the corresponding figures were 8 per cent and minus 1 per cent. Finally, for health the figures were 25 per cent and just 9 per cent. Levitt and Joyce estimate that demographic changes required 0.7 per cent annual growth in volume of health and technological advance added another ½ per cent, making 9 per cent over the period – fully offsetting the volume increase. It is hardly surprising, therefore, that what Government regards as a major effort to expand public spending in a priority area looks like savage austerity on the ground.

Moreover, productivity growth is unlikely to offset the difference between the GDP deflator and the own-cost deflator for these sectors. Constant "real" provision means declining volume of provision.

At the same time, the likelihood is that people would prefer to spend an ever-increasing proportion of their rising income on health and perhaps education as well. The majority cannot, however, make that choice, since going outside the public sector's provision effectively means paying for the same thing twice.

Public expenditure control is necessary. But past success has bred new problems, just because the lower political priorities have already been axed, leaving the really sacred cows. The problem is that some of the cows have been getting very lean, whatever the figures on "real" provision show.

Where public goods and transfers are concerned, there is no alternative to a purely political judgment. Where the provision of consumption goods is concerned, however, there is an alternative. It would be better either to encourage more people to purchase their health and education privately (perhaps through vouchers or tax credits) or to ensure that the growth of public provision matches the rapidly growing demand. At present, the Government appears to be offering the worst of both worlds.

The Treasury's approach to dieting Leviathan is not a satisfactory strategy for the long term. The Government will be forced in time to be more radical or more spendthrift. The radical approach would mean deciding what to do, and to do it really well, leaving the rest to private arrangement. The emaciation of Leviathan is surely a less attractive alternative.

# New strategy for Capel?

■The remarkable success story of the top stockbroking firm James Capel continues, its latest achievement being to squeeze the luckless Greenwell Montagu Securities out of the loosely formed Hongkong and Shanghai/Midland banking group.

Capel now claims nine per cent of all the UK equity business done for investors (that is, excluding business between market makers) and as much as 20 per cent of agency business (deals done for clients on a commission basis).

But rivals continue to question Capel's strategy of refusing to operate as market makers. No substantial New York house has succeeded in making such an approach work, they argue. And some market makers are muttering that after the crash they may not be so happy to handle Capel's orders because they are unlikely to be very profitable for them: relations with Phillips and Drew are said to be especially standoffish.

Capel is unimpressed, however. Chairman Peter Quinnen has been brushing aside such knocking campaigns since before Big Bang 15 months ago and he remains ebullient. "Our market share has if anything gone up since the crash," he insists. "We generate enough business that the market makers want to do it."

Market gossip has regularly linked Capel in a potential merger with with the only major independent equity market makers, Smith New Court, but Quinnen says that the proportion of business done with Smith has tended to fall as the brokers have developed relationships with newer market makers like Merrill Lynch or Chase Securities.

Even so, according to market estimates around 25 per cent of Capel's business goes through Smith with roughly another quarter split between the other two biggest integrated securities firms, Warburg Securities and Barclays de Zoete Wedd.

# OBSERVER

## Eavesdropping

■Environment and Transport World, the house newspaper of the eponymous Government departments, reports that 1,500 staff in the departments' main London office complex, at Marsham Street, near Westminster, made 1,600 calls between August and October last year to recorded information services supplying sexy messages and sports reports.

No less than 1,358 calls were to the sexy numbers, compared with less than 250 to the more traditional cricket and racing services. The fun will be over shortly, however: Marsham Street gets a new switchboard in June which will allow only the operator to call recorded services.

## Hanson's rally

■A questioner was almost drowned out by the boos at the annual meeting of Hanson yesterday when he dared to suggest that the Tory party was destroying the fabric of the country.

Lord Hanson, a champion of everything Thatcherite, rose to the challenge. "Your board believes that this Government's policies have created conditions in this country which have produced the most significant growth and opportunities in industry for the last 40 years," he said amid rapturous applause. Had the 1,500 shareholders present known the Hallelujah Chorus, they would surely have sung it.

Hanson, who celebrates his 66th birthday today, also had to tolerate the odd comment about his eligibility for a pensioner's pass on London Transport, and a passing reference to his salary which almost quadrupled last year to £1.26m. There was even a shareholder who was worried about Frank Bruno advertising HP sauce, a Hanson product. "Supposing he loses," he said.


"Mr Maclennan has gone to see Dr Owen – but he'll only be a couple of minutes."

Hanson was full of praise for Bruno. Indeed he was full of praise for just about everyone. He admitted afterwards that he enjoyed the ordeal of the annual meeting. He said: "It's the only time when you are accountable. It's rather like the Prime Minister at Question Time."

## Lost cello

■Audiences at performances by the Warsaw Opera orchestra now on a tour of France and Belgium might like to know that a last minute decision by the Polish authorities to revoke his passport has meant that cellist, Janusz Klekowski, has had to stay behind.

So sudden was the official move that the musician, fully expecting to go, had sent his instrument on with the orchestra's luggage. Now the cello is in the back of a lorry somewhere en route whence its owner hopes it will safely return.

It was not the first time that Klekowski, who in the early 'eighties was an announcer on Solidarity's clandestine radio, which still goes out on the air from time to time, has had applications to travel abroad refused. He will probably get his cello back, but that is not the point.

## Money in bedpans

■Less than five years ago Charles and Neville Vere Nicoll, two cousins in their late twenties got together with their friend Maxwell Aitken, now Lord Beaverbrook, in a flat in Piccadilly, and decided to start their own business. Each of the three partners put up £9,000. They bought a tiny medical company which made muscle-stimulating equipment for £200,000 and named their business VenTech.

This week, VenTech paid $228m to Avon Products for a company called Foster Home Health Care, thereby becoming the largest provider of home health equipment and services in the US.

The home health care market of wheelchairs, bedpans and intravenous injections, may not be exactly glamorous, but it is one of the fastest growing

They learned this in seeking an American distributor for their British muscle-stimulating products and contacted Abbey Medical, at that time a subsidiary of Baxter Travenol Laboratories. Within a year, the Vere Nicolls had not just a distributor but the whole company – having persuaded Baxter Travenol to come up with a goodly portion of the financing VenTech needed to take the loss-making Abbey business off its hands. After turning around Abbey, they will try the same trick on Foster.

Lord Beaverbrook, now a government minister, can no longer play an active part in the company. As an individual, he can take satisfaction from the fact that the Beaverbrook family own 25 per cent of VenTech's Toronto-listed common stock.

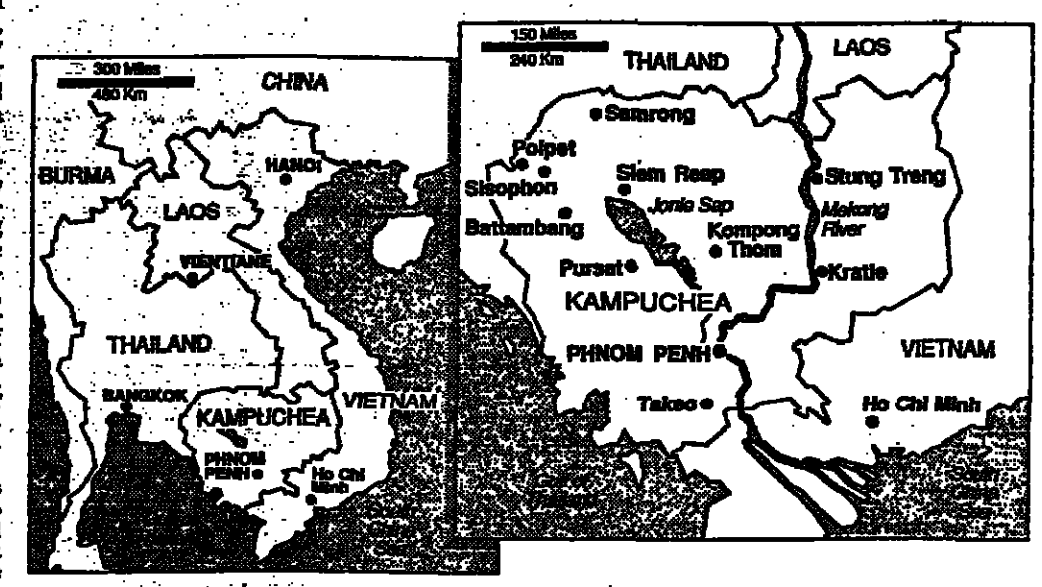
## Cambridge wits

■Seen on walls in Cambridge recently: And the meek shall inherit the earth...if that's all right with you;

Old professors never die...they simply lose their faculties;

Cambridge, give me back my mind!

THE SEARCH FOR PEACE IN KAMPUCHEA




# Inching towards a settlement

By Roger Matthews

AFTER 20 YEARS of almost unremitting tragedy, the last nine of which have been under Vietnamese occupation, the people of Kampuchea may at last have grounds for believing that this year could see real progress towards a settlement.

Most immediately the optimism stems from talks due to open today at St Germain-en-Laye outside Paris. Meeting there are Mr Hun Sen, Prime Minister of the Vietnamese-backed regime in Kampuchea, and Prince Norodom Sihanouk, for 29 years leader of what was then Cambodia until he was ousted in 1970. He now heads a coalition of three guerrilla factions fighting the Vietnamese occupation.

More substantial reasons for hope rest not on these two men but on those who stand behind them. Most important of these are the leaders of the Soviet Union and China. Playing lesser, but important, roles are the US, together with the members of the Association of South East Asian Nations — Thailand, Indonesia, Malaysia, the Philippines, Singapore and Brunei.

Each has the capacity, individually or together, to torpedo whatever peace process may emerge or to place such obstacles in its path that it will eventually grind to a halt. To construct a settlement which all can live with will demand not only considerable negotiating skills but also a degree of flexibility and compromise not hitherto evident.

If the need to allieviate human suffering and misery was the prime motivating force behind such international negotiations there would be little cause for anxiety. In the late 1960s the Vietnam war spilled over onto Kampuchean territory. Heavy American bombing along its eastern border caused not only massive damage and many casualties but also forced hundreds of thousands to flee to the cities. In the chaos which followed, Prince Sihanouk was overthrown and the once prosperous country plunged into a civil war which led in 1975 to theemergence of the Khmer Rouge under the murderous Pol Pot. How many hundreds of thousands died in his manic quest for the ideal agrarian society free from intellectuals and the trappings of a modern state will never be known.

The justification for the Vietnamese invasion was that it saved the Kampucheans from Pol Pot. The justification for the Vietnamese remaining in Kampuchea is that the Khmer Rouge is still the largest guerrilla force opposing the occupation and that — incredible though it may seem — Pol Pot is still part of the Khmer Rouge leadership.

Pol Pot and the Khmer Rouge not only survived their four years of atrocities, they are also indirectly accorded a wide degree of international recognition through the support of the majority of United Nations members for a government in exile called the Coalition Government of Democratic Kampuchea. Headed by Prince Sihanouk, the coalition includes the Khmer Rouge and the Khmer People's National Liberation Front, a Western-backed group of waning influence.

According to some Western diplomats, accommodating the Khmer Rouge is a supreme example of international pragmatism. Others call it a supreme example of international cynicism. The pragmatists argue that if pressure is to be maintained on the Vietnamese to withdraw from Kampuchea there must be a military component. As the largest of the guerrilla forces, the Khmer Rouge fulfill that function. That they are able to do so is due almost entirely to the arms and equipment the Khmer Rouge receive from China. Peking has security concerns about the expansionist ambitions of a Vietnam which is sustained economically and politically by the Soviet Union.

The extent to which these fears are justified depends largely on the priorities of Soviet foreign policy under Mikhail Gorbachev. If Mr Gorbachev has decided that pouring the equivalent of $1.3bn a year into nearly bankrupt Vietnam in order to help sustain its occupation of economically destitute Kampuchea should not be an open-ended commitment, then there may be signs of flexibility from Mr Hun Sen in France today.

This would in turn serve Mr Gorbachev's professed desire for improved relations with China and the members of Asean. Those looking for clues to Moscow's intentions believe that its attitude towards withdrawing its forces from Afghanistan and the type of political system it is prepared to countenance in Kabul could provide a valuable precedent for Kampuchea. There are also indications, albeit not yet very emphatic, that after nearly 40 years of more or less continuous warfare, the Vietnamese people may be less easily persuaded of the need to fight and more concerned about improving their nation's economy. This task is unlikely to be achieved without the assistance of the non-communist world, currently denied because of the Kampuchean occupation.

However, neither the evolution of Soviet policy under Mr Gorbachev nor the developing pressures on Vietnam are likely in themselves to provide the momentum for a Kampuchean settlement acceptable to all. What matters most are the two main issues on the agenda at St Germain-en-Laye today: the timing of the Vietnamese withdrawal from Kampuchea and the system of government which will replace it.

The strength and the weakness of the alternative to the Vietnamese occupation is that it is encapsulated in just one man — Prince Sihanouk. He alone is thought to have the ability to attract majority support among the Kampucheans, is acceptable to the majority of United Nations members and sustains good relations with the Chinese leadership.

Nine months ago Prince Sihanouk took a year's leave of absence from the leadership of the resistance coalition, officially to protest at attacks by Khmer Rouge forces on his own men in Kampuchea, but more credibly to give himself the flexibility to pursue a solution with the Vietnamese. The first fruits of his individual approach were seen in early December with his historic first meeting with Mr Hun Sen in France.

Prince Sihanouk's highly personalised style of diplomacy has aroused some fears among his international supporters who are concerned that, at 65, he is increasingly motivated by the desire to see out his remaining years on the soil of his native land.

Just as the Vietnamese were able to outflank Mr Henry Kissinger because of the demands of American public opinion for a withdrawal of US troops from South Vietnam, so it is feared that Prince Sihanouk may, because of his haste, fall victim to similar tactics on Kampuchea. A precipitate return by Prince Sihanouk to Phnom Penh on ill-defined Vietnamese promises and without an international conference to guarantee the terms of any agreement could serve merely to reinforce the status quo. It would not achieve an end to the guerrilla war, or allow the 270,000 refugees in Thailand to return home with any confidence.

Publicly Prince Sihanouk has not wavered from his demands for the replacement of the present regime with a French-style system of government to be achieved through free elections.

The success of such a plan makes the big assumption that the Khmer Rouge leadership including Pol Pot will be removed from the country by China and its forces disarmed or absorbed into a new national army. Despite repeated Vietnamese offensives, its troops have been unable to dislodge the Khmer Rouge guerrillas from their border bases. Without a diminution or withdrawal of Chinese support that impasse is likely to remain.

Assuming that Prince Sihanouk continues to accept the need to carry with him all the forces opposed to Vietnam's occupation, the negotiating process will be slow. Each real or apparent Vietnamese concession will itself need to be the subject of further debate before a response can be made. The Vietnamese have themselves said they will withdraw by 1990, which may appear to imply a timetable of sorts. The first indication of how serious that offer is may emerge later this week in France. But it will be no more than an indication.

THE STOCK EXCHANGE

# How October's storms were weathered

By Nicholas Goodison

THE International Stock Exchange of London is to publish next month an account of how its markets performed in the savage conditions of late October and early November. This study is not yet complete but important facts have been established.

In common with other major exchanges, in the week of October 19 we saw trading volumes reach record levels. The total number of bargains per day rose from around 40,000 in the preceding week to some 50,000 on Monday October 19, 80,000 on the Tuesday and over 100,000 on Wednesday and Thursday – volumes undreamt of on our market before Big Bang. Trade in non-British equities rose on several days to over £800m.

Our technical systems coped well with these huge volumes and our own trading system, supported by continuous market-makers, necessitated none of the trading halts seen elsewhere.

Our study so far casts doubt upon the accuracy of two instant judgments proclaimed in the media after October 19. First, the predictions of mass disillusion among individual investors look wrong. The average sizes of purchase and sale bargains in British equities in the period October 21 to November 7 suggest that, in general, individual investors were mainly buying. I believe – and there is evidence for this in quick surveys of investor attitudes – that there has been a cooling off of enthusiasm rather than disillusion.

The second myth is that investors were not dealing in the market as it fell: in other words that dealing was largely between professional market-makers. In the three weeks following Black Monday investors accounted for two thirds of the record volumes. Normally since Big Bang they have accounted for half.

In this time of uncertainty and extraordinary volatility market-makers on the exchange took steps to reduce risks. They reduced the size of the blocks for which they quoted, and increased the "spread" (the difference between their bid and offer prices). In the period covered by the study, October 19 to November 13, the average "touch" (the difference between the best bid and best offer among all the market-makers in a particular stock) for the heavily traded alpha and beta stocks increased about two-and-a-half times and those for the more lightly traded gamma stocks doubled.

In the days immediately following Black Monday market-makers cut the average maximum size of their quotation for alphas to almost a half, and reduced it by two thirds in beta and gamma stocks. Thanks to these defensive measures and to the strength of their capital backing, they were able to ride out the storm. They then began slowly to reduce their spreads and increase the size of their quotations.

The initial shock was an extremely severe test of our new structure. I doubt whether our pre-Big Bang jobbers could have absorbed the sales on the worst days or found the extra capital required.

The Stock Exchange's surveillance of member firms proved its worth during October. We stepped up surveillance of market-makers and of brokers dealing as principals and monitored their financial positions on a daily basis. We did this in conjunction with the Bank of England, thus showing I believe, that the convergence of banking and securities regulators is inevitable as banks become more and more involved in securities markets. The day-to-day co-operation meant that the market was never short of the capital to keep it alive and competitive. Perhaps the most notable fact of all is that under these conditions no member firm defaulted.

There have been complaints about the difficulty of trading the shares of smaller companies. While there is no room for complacency, we must beware of nostalgia for a golden age that never existed. It could help improve the liquidity of these stocks if we reduced the number of stocks for which it is permitted to quote indicative instead of firm prices. This could be effected by combing through the gamma stocks to identify those in which the pattern of trading would justify promotion to beta status and therefore firm pricing.

I am asked whether recent events will prevent further international integration of securities markets. Have investors lost interest in foreign stocks? If so, why should any company now seek to internationalise its shareholder base? Are the staff reductions by international securities houses proof that the globalisation tide is ebbing?

I believe we shall see greater selectivity on the part of international investors, both in markets and individual stocks. But there are clear signs that the long-term strategies of securities houses, regulators and governments based on international integration and competition between major markets are fundamentally unchanged. I see no sign that the new awareness of the international attractions of our post-Big Bang market, which was to be observed in the US before the crash, has been dulled.

The pace of international integration may have slowed. But the attraction to investors of diversifying their portfolios into foreign markets, their ability to manage those investments thanks to new communications technology, and the greater openness, liquidity and transparency of modernised markets. But the users of stock markets – investors and companies – will turn more and more to those markets whose systems prove most resilient under stress and which can provide the continuous liquidity that investors, and companies who want to raise capital, need. The International Stock Exchange stands to gain in large measure from these needs.

*The author has been chairman of the Stock Exchange since 1976.*

# Letters to the Editor

## Here capitalism has failed

*From Mr Mark Brinkley.*

Sir, Judith Chaplin writes (Letters, January 13): "The fair and efficient working of a capitalist society depends on the accumulation of capital in as many hands as possible".

I think this is an important, if usually unspoken principle in creating a "people's capitalism." It has surely been one of the great failures of capitalism in the past that power and wealth have tended to concentrate in the hands of very few: these few do not have to be greedy or exploitative (though many of them obviously have been) to ignite intense feelings of envy and ill-will in the dispossessed masses.

Just as surely, it has been one of the great failings of socialism to assume that the way to alleviate this unpleasant distortion has been to soak the rich through high taxes, and to let the state take as much power as possible into its own hands.

If, as Mrs Chaplin writes, we are to "achieve a diffusion of capital in private hands," then we should concentrate on where the revenues are targeted, not how they are raised. Much of the capital that should have been redistributed by the state is still held by the state. What value the NHS? Or the state school system?

Although a generation and a half of "welfarism" has bred into us a belief that the services provided by these state-run institutions are "fundamental human rights" which the state has a duty to provide, is it not now time to expose these beliefs as mere shibboleths? Would it not – in all seriousness – be more equitable if the state were to provide each family or individual with the money these services cost, and for the private sector to provide the services? The individual would then have real choice in these matters, and real money to pay for those choices.

Is it not time the Government (and, for that matter, the Opposition) addressed itself to the practicalities of using a social dividend payment to every individual in the country, which should in time replace the welfare state? Indeed, is this not the most practical way of achieving a fair and efficient capitalist society?

If the state ceased to be a provider of health care, education, pensions and dole monies, and instead became a redistributor of capital, it would go a long way towards creating a one-nation society free from envy and ill-will, yet functioning fairly and efficiently.

Mark Brinkley,
*10 Edward Street,*
*Cambridge*

## More GDP needed to finance the NHS

*From the General Secretary of the Conferation of Health Service Employees.*

Sir, Joe Rogaly states: "If you provide a service free at the point of supply, then demand is likely to be infinite," ("How to Scrap the NHS", December 17). Surely this is not the case in health care.

Certainly demand is currently outstripping supply, as we can see, with ever-growing waiting lists and overstretched acute services. But the service provided by the NHS is fundamentally different from that provided by, say, sports centres or nurseries for the under-fives. To propose that the demand is infinite is to suggest that, for example, people will deliberately fall off bicycles in order to take advantage of free health care.

I agree that people are more likely to seek medical attention if it is free at the point of service rather than if it were charged for. But in many cases this will mean that illness is detected early; this may save money for the NHS in the long term because expensive treatment can be avoided.

Most patients looked after by the NHS are in long-stay hospitals for the mentally ill, mentally handicapped and elderly. This care is required whether in hospital or in the community, regardless of whether it is free at the point of supply or not. Demand for it does not increase because no charge is levied.

The fundamental point, as far as I am concerned, is that regardless of demand, the UK spends a smaller proportion of GDP on health than any other EC country except Greece. (Greece is currently setting up an NHS, and increasing its spending on health).

If the UK were to spend the same proportion of GDP on its NHS as, say, Italy or West Germany, it would greatly increase its ability to meet demand. The extra money should be spent directly on the NHS: it is a much more efficient service than private schemes because of its lower administrative costs (less than 6 per cent of NHS spending, compared to 22 per cent, in total, for the US).

If this happened, the UK would have both an efficient and equitable service (because it is funded through direct taxation), much better able to meet the health care needs of the nation.

Hector MacKenzie,
*COHSE,*
*Glen House,*
*High Street,*
*Banstead, Surrey*

## Non-profit making health insurance

*From Mr James Young.*

Sir, Michael Prowse's article on reforming Britain's health service financing makes the statement that "insurance systems will be more profitable if they can ignore the poor, the old and the chronically sick" (December 22).

The Hospital Saving Association, a non-profit making company limited by guarantee, provides cover for more than 1.5m men, women and children in the UK, regardless of age and financial circumstances. The contribution rates are the same for all people joining the scheme up to the age of 65.

The HSA's 10-benefit Crown Plan allows for one regular contribution covering the family; this provides cash benefits for hospitalization, recuperation, maternity, optical, dental, consultations, local authority home help, geriatric and other requirements. The HSA works hand-in-hand with the NHS and the private sector, providing nursing scholarhips and charitable donations for many hospitals, hospices and individuals whose medical problems have created a particular financial difficulty.

James Young,
*HSA,*
*Hambledon House,*
*Andover, Hampshire*

## Money costs are not the only costs

*From Mr Alex Arthur.*

Sir, Money costs are not the only relevant costs. Anyone who has undergone medical treatment knows that the inconvenience and discomfort suffered are effective deterrents to our making frivolous demands upon the health service.

"Because it's free" is the least convincing explanation for why we become ill.

Alex Arthur,
*5 Raasay Gardens,*
*Langstracht,*
*Aberdeen, Scotland*

## Countries made to feel guilty

*From Mr Armen Kouyoumdjian.*

Sir, I am surprised to see, in your leader on Brazil, the reference to "alienating friends and admirers who have been willing to make allowances for the .....vacuum created by the transition in 1985 from military to civilian rule" (December 22).

When countries are made to feel guilty because they are trying to put their domestic affairs in order, it is unfair also to criticise them for not having been able to do so.

Armen Kouyoumdjian,
*International Mexican Bank,*
*29 Gresham Street, EC2*

## BSB's problem is programme standards, not low-cost equipment

*From Mr B.S. Bremner.*

Sir, I read with interest Ray Snoddy's article about the search by British Satellite Broadcasting for equipment suppliers (December 31).

The problem for BSB is that it will not be first on the market with equipment. This will pose a difficulty for BSB, because under Department of the Environment planning regulations only one dish, measuring 90cm and under, is allowed on the allocated site.

With the 85cm Astra system launching one year ahead of BSB, the market available to BSB will rapidly decrease each month. Also: Astra systems will be able to receive BSB as well as normal Intelsat/Astra signals.

BSB's real worry lies not with low-cost equipment but with a credible programme format. Using an old and failed format of single channels for news, films and sport, transported originally from America, BSB are on course for disaster. Cheap equipment will not attract customers to subscribe to a system that will have to compete with very high standards of terrestrial TV.

The home computer market is a good example of low-cost equipment, which reduces over a three year period, with the philosophy that every home would have one. Alas, the home computer market is split between the "hobbies" and the "semi-business" markets; true "home use" does not exist. People became bored with software based on the same theme.

BSB's format will follow the same route – and when the boredom factor hits, viewers will switch off. BSB should concentrate on bold and innovative programming, and leave the market to decide which equipment it requires. BSB's job is that of programme provider only. If its programmes are good, and in public demand, the equipment size will look after itself.

B.S. Bremner,
*Icknield House,*
*Eastcheap,*
*Letchworth Garden City, Hertfordshire*

# FINANCIAL TIMES

Wednesday January 20 1988



Nicholas Woodsworth in Abidjan reports on a self-help project designed to fight off encroaching desert

## Senegal battles against Saharan sands

SULIMAN DIOP does not know exactly how old he is, but his memory goes further back than anyone else's in his village. A herder all his life, he now spends most of his days in conversation, protected by the deep shade of a favourite acacia tree.

In skull cap and white robe, his beard grizzled, he spends long hot afternoons recalling an Africa that no longer exists.

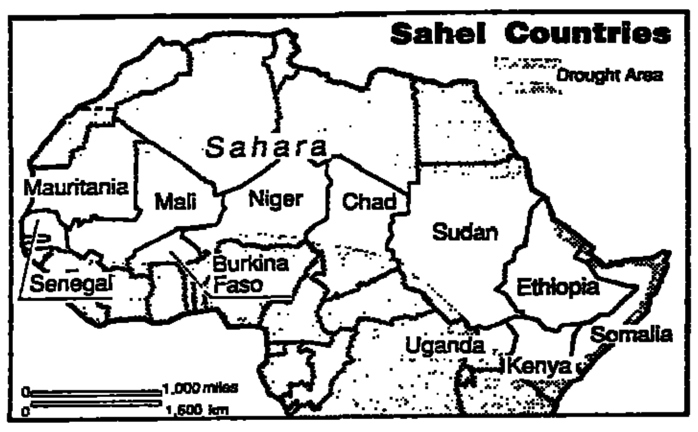
One of his stories is particularly hard to believe. "Out there," he says, pointing to the sun-baked and treeless plain that stretches away from the village, "was the forest. When my father was a young man, it was so dense and dark he didn't dare go out after sunset. And every day my mother had only to take a step or two from her kitchen for firewood. It was there for the taking."

It is not surprising that the children of Louga, a district of northern Senegal 40 miles (64.3km) from the Mauritanian border, smile in disbelief when they hear Mr Diop's story. It sounds too much like paradise.

During the past 80 years Louga, like many communities dotting the Sahel region, has been the victim of an encroaching desert.

In the last generation the process has accelerated – today nobody under the age of 20 can remember anything but drought.

Despite the best efforts of rock musicians and relief agencies, the two-decade-old Sahel crisis no longer looms large in the consciousness of the West. Exposed to tales of disaster for years – to the point of insensibility – Western consumers of the news have moved on to no less horrifying but fresher stories.




For the villagers of Louga, however, the most important part of the story is only now unfolding. There is nothing of the dramatic media event in it. There are no emotional television pledges, no relief convoys being filmed as they race to the rescue of starving children.

Instead, there is a great deal of hard work without pay and with little immediate return. No longer asking for Western relief dollars, but the energy of its villagers, Louga is striking back at the desert.

The Louga project, launched in 1982, is one of numerous programmes to fight off the encroaching desert in Senegal, bilaterally funded by Western nations and supervised by the United Nation's Food and Agriculture Organisation (FAO).

However, the $2m provided by Sweden in 1985 for the second phase of the project is not the sole constituent of its success. Far more important is the policy of educating villagers to see their own interests in reforestation.

"The traditional attitude here can be summed up in the Moslem saying 'insh'allah'," says Mr Etienne Kaisan, the Belgian supervisor of the Louga programme.

"If the desert is taking over it is the will of Allah and there is no point in fighting it. Western agencies went some way to changing this attitude when, years ago during the first Sahel projects, they instituted a 'food for work' policy. Villagers were motivated as long as the food arrived. Then, when it stopped coming, they quite naturally abandoned the projects."

The emphasis today is on villager participation and decision-making, a process that begins by making people aware of the role they play in the deterioration or improvement of the environment.

"Desertification is not caused by nature alone," Mr Kaisin observes. "It is the result of a complex interaction between nature and man."

When Mr Diop was a small boy, the natural vegetation around Louga held the soil in place. The population was small enough to satisfy its fuel needs while allowing the natural regeneration of trees. Traditional methods of millet and sorghum cultivation meant that roots and stalks left behind after harvest not only "fixed" the soil in the dry season but also enriched it.

That all changed after the arrival of French colonists, who made Louga the center of Senegal's groundnut industry. The forest was over-exploited by a fast-growing population and eventually gave way to fields.

Decades of intense cultivation impoverished the earth, and because groundnut harvesting requires that the entire plant be uprooted, the soil lay without ground cover year after year during the fallow season.

Loose and dry, the soil's richest parts were carried away by the wind. Today, soil impoverishment and 20 years of less than half the normal annual rainfall has forced the groundnut industry 80 miles further south. Left behind is a desert landscape.

"The answer to many of these problems, both natural and man-made, lies in reforestation," says Mr Kaisan. "It fixes the soil, enriches it, provides firewood and stops desert sand from moving south."

"But to pay for reforestation programmes is prohibitively expensive – over $400 an acre. What we try to do is show various groups how they can benefit by undertaking the work themselves on a volunteer basis. The response has been 90 per cent positive."

Using specially-trained mobile teams to cover as many of the the district's 2,900 villages as possible, the project organises meetings, demonstrations and training sessions. Different meetings cater to different needs.

Village women, for example, who are forced to walk up to six miles a day in search of firewood, have organised themselves into reforestation committees, undertaking to plant trees that most conveniently provide firewood.

Village men, more concerned with farming, have formed similar committees to plant windbreaks to protect their fields from wind erosion.

Village chiefs organise the planting of green belts around their villages and school children are given classes in nursery and planting techniques.

The FAO provides seeds, new plant varieties, and technological knowledge to the volunteer committees. Their driving force, however, is the will of the villagers.

Whatever the job at hand, self-interest has shown itself to be the best motivation in fighting the desert.

However, as Mr Kaisin admits, self-interest alone cannot slow down the Sahara. Co-operation and integrated programmes on the international level are still lacking. If some Sahelian nations achieve results while others accomplish little, none will benefit from reforestation efforts.

Saharan sand, Mr Kaisin ruefully points out, is no different than the wind that carries it. It knows no borders.

## Trouble brews despite Alfonsin's victory

BY TIM COONE, BUENOS AIRES CORRESPONDENT

THE SUPPRESSION of Argentina's second army rebellion in nine months and the arrest of its leader, ex-Col Aldo Rico, is an undoubted victory for President Raul Alfonsin's government.

It still leaves open the question, however, as to whether this is the end of the road for the seditious elements within Argentina's armed forces, or simply a tactical defeat for them, keeping the problem simmering and ready to re-surface at the first opportunity.

Significantly, the willingness of the loyalist forces, under the command of army Chief-of-Staff Gen Dante Caridi, to open fire on their comrades-in-arms in last weekend's rebellion, demonstrates that the army high command has succeeded in establishing its authority over a number of key army units.

This is despite the fact that Col Rico enjoys a considerable level of support at middle and junior levels within the 7000-strong officer corps throughout the armed forces.

For the time being, this in itself may be sufficient to break the will of the seditious mavericks, and as a lesson that further outbreaks of unrest in the barracks will be treated with equal severity.

Politicians close to President Alfonsin were jubilant yesterday at the rapid suppression of the rebellion and were at pains to point out the contrast with last Easter's rebellion, also led by Col Rico, when the chain of command broke down in the army and necessitated the personal intervention of President Alfonsin to end the mutiny.

However, there is a wider problem within the armed forces, which extends to both the navy and the air force, which shows no immediate sign of being resolved.

This is that a large proportion of the officer corps neither feels nor expresses regret that the armed forces were responsible for the disappearance of more than 9,000 people – including journalists, lawyers, trade union leaders and politicians – during the period of military rule from 1976-83, in an attempt to eliminate various left-wing guerilla movements that were active in the early 1970s.

Their success in that campaign – referred to as the "dirty war" – is their justification that the strategy was correct, regardless of the implications for human rights in Argentina and the stability and diversity of its newly-won democratic system.

It should not be overlooked that Gen Caridi himself has made numerous public remarks since he assumed the hotseat at the head of the army after last Easter's rebellion, which indicate that he also shares such a view, although a moderated one.

One of the principal consequences of the Easter rebellion was that the ruling Radical party forced a piece of legislation through the Congress last June absolving all middle and junior ranks of the armed forces from responsibility for crimes committed during military rule, on the argument that they were following the orders of their superiors.

This was one of Col Rico's demands during the Easter mutiny. Gen Caridi subsequently said that the so-called "Due Obedience" law was "a step in the right direction," but that further measures would be necessary if the resentment in the armed forces was to be overcome.

Gen Caridi's statement was seen as an implicit demand for a general amnesty to extend up to senior officers, most of whom are now in retirement. Up to 50 such officers still face trial for human rights abuses. If the trials take place, many officers on active service may still view them as an attack upon the military institutions as a whole.

In the Navy, there is still the future of Capt Alfredo Astiz to be resolved. The Admiralty want him to remain on active service, while the Government is deeply embarrassed and wants to retire him. He has earned international infamy for his alleged involvement in the disappearance of two French nuns and a Swedish woman during the "dirty war" in the 1970s.

Such simmering disputes are the fertile ground in which Col Rico has sown his seditious seeds and to view him as simply an isolated phenomenon is to overlook the deeper problems which continue to threaten Argentina's democracy.

Gen Caridi may have strengthened his authority within the armed forces by suppressing the recent rebellion, but he has also strengthened his hand with the civilian government to demand a wider amnesty in order to consolidate that position.

For the time being, the clearly authoritarian Col Rico has been thwarted in his bid for power within the armed forces, but the demands which may now come from Gen Caridi may still cause concern for the balance of power between the civilian and military authorities in Argentina.

### Detainees include fifty officers

**Argentina's Ministry of Defence yesterday said that 272 members of the army, including 50 officers, had been detained following this week's insurrection led by Col Aldo Rico, writes Our Correspondent in Buenos Aires. One of the officers alleged to have sparked a parallel insurrection, Col Angel Leon, was still at large.**

**Col Rico was to be moved to the army's main prison, military sources said. Five former commanders-in-chief convicted of human rights crimes are serving sentences there. Court sources said legal proceedings were also being initiated against eight civilians accused of helping rebels to seize temporarily Buenos Aires municipal airport.**

**Public opinion yesterday appeared to be almost unanimous in predicting that democratic government would emerge strengthened from the suppression of the rebellion. Local newspapers emphasised in editorials the lack of general civilian support for the rebels, although there was some implicit criticism of the Government.**

Gen Dante Caridi: authority established

## UK to join warship project

By Peter Riddell, Political Editor, in London

THE UK GOVERNMENT is set to give the conditional go-ahead tomorrow to British participation in the next appraisal stage of the proposed joint Nato frigate for the 1990s.

The £8bn ($14.16bn) NFR-90 project is for the development of a guided missile frigate, the first common Nato ship, to be used by seven countries in the late 1990s.

Six other countries, including the US and West Germany, signed a memorandum last October which gives the go-ahead for the next, project definition, stage of the design of the ship and its weapons system.

But the UK Treasury has been sceptical about the costs and feasibility of the project which is why Britain did not sign the memorandum three months ago.

A proposal has now apparently been circulated ahead of a meeting tomorrow of the overseas and defence policy committee of the Cabinet, under which the UK would join the next stage of appraisal, focusing especially on the weapons system.

However, agreement will be dependent on support being conditional, with a regular review of progress.

If the go-ahead is given, it will be emphasised that this does not imply an open-ended agreement to British participation in the full development of the project.

The Ministry of Defence is keen to join since it wants an eventual total of a dozen frigates, costing about to £150m to £160m each, to replace the Royal Navy's Type 42 frigates.

## Reagan to restart military aid to Contras

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan is to resume airdrops of military supplies to the Nicaraguan Contra rebels and will seek more funds for the insurgents in a request to Congress later this month, the White House said yesterday.

The announcement came as Contra leaders in Miami agreed to hold direct ceasefire talks with the Sandinista government of Nicaragua.

Washington's move is intended to maintain pressure on the Sandinistas to make political concessions, but it risks arousing opposition among the Democrat majority in the US Congress to approve military aid for the rebels.

In a speech marking his seventh anniversary in office, President Reagan said obtaining further Contra aid from Congress was a top priority: "The Guatemala peace plan can succeed only if the Sandinistas have reason to compromise and institute democratic reforms."

President Reagan's chief spokesman, Mr Marlin Fitzwater said: "This is not the time to falter in our support for the freedom fighters (the Contras)."

US shipments of lethal supplies such as ammunition and guns had been held up for the last week while the five Central American presidents discussed a five-month-old regional peace plan in Costa Rica. At the meeting, President Daniel Ortega of Nicaragua surprised critics by offering to lift a state of emergency and proposing direct ceasefire talks with the Contras.

The State Department yesterday rejected President Ortega's suggestion that some 3,300 political prisoners in Nicaragua should be granted an amnesty and then accepted by the US Government. A spokesman said the Nicaraguan proposal amounted to deportation.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 16 | 61 | Dubrovnik | F | 12 | 54 | Malta | F | 17 | 63 | Rhodes | F | 15 | 59 |
| Algiers | C | 14 | 57 | Edinburgh | R | 9 | 48 | Manchester | C | 9 | 48 | Rio de J'o | S | 32 | 102 |
| Amsterdam | S | 7 | 45 | Faro | F | 14 | 57 | Manila | S | 32 | 90 | Rome | C | 17 | 63 |
| Athens | F | 13 | 34 | Florence | C | 12 | 54 | Melbourne | S | 22 | 72 | Salzburg | C | 0 | 32 |
| Bahrain | S | 16 | 61 | Frankfurt | C | 3 | 37 | Mexico City | S | 25 | 77 | San Francisco | C | 14 | 57 |
| Bangkok | S | 31 | 88 | Funchal | C | 15 | 59 | Miami | C | 24 | 75 | Seoul | S | 3 | 37 |
| Barcelona | C | 13 | 55 | Geneva | C | 3 | 37 | Milan | C | 9 | 48 | Singapore | F | 29 | 84 |
| Beirut | – | – | – | Gibraltar | F | 13 | 55 | Montreal | C | 3 | 37 | Stockholm | C | 2 | 36 |
| Belfast | R | 6 | 43 | Glasgow | C | 9 | 48 | Moscow | C | -7 | 19 | Strasbourg | Fg | 4 | 39 |
| Belgrade | F | 7 | 45 | Guernsey | R | 9 | 48 | Munich | C | 0 | 32 | Sydney | F | 25 | 77 |
| Berlin | S | 2 | 36 | Helsinki | Sn | 0 | 32 | Nairobi | F | 27 | 81 | Taipei | R | 17 | 63 |
| Biarritz | F | 14 | 57 | H. Kong | S | 17 | 63 | Naples | F | 15 | 59 | Tangier | C | 14 | 57 |
| Bombay | S | 32 | 90 | Innsbruck | S | 6 | 43 | Nassau | S | 26 | 79 | Tel Aviv | F | 15 | 59 |
| Bordeaux | F | 12 | 54 | Inverness | F | 7 | 45 | New Delhi | S | 19 | 66 | Tenerife | S | 20 | 68 |
| Brussels | S | 10 | 50 | Islamabad | S | 24 | 75 | New York | R | 7 | 45 | Tokyo | F | 8 | 46 |
| Budapest | Fg | 1 | 34 | Istanbul | F | 10 | 50 | Nice | C | 14 | 57 | Toronto | R | 5 | 41 |
| B. Aires | C | 30 | 86 | Jakarta | R | 31 | 88 | Nicosia | – | – | – | Tunis | S | 15 | 59 |
| Cairo | S | 17 | 63 | Jersey | C | 9 | 48 | Oporto | F | 12 | 54 | Valencia | C | 12 | 54 |
| Cape Town | S | 25 | 77 | Jo'burg | F | 27 | 81 | Oslo | Fg | 0 | 32 | Venice | C | 7 | 45 |
| Caracas | C | 26 | 79 | Lima | S | 26 | 79 | Paris | F | 9 | 48 | Vienna | D | 2 | 36 |
| Casablanca | C | 13 | 55 | Lisbon | F | 11 | 52 | Peking | S | 6 | 43 | Warsaw | C | 0 | 32 |
| Chicago | Sn | 2 | 35 | London | D | 9 | 48 | Prague | C | 0 | 32 | Washington | F | 2 | 35 |
| Cologne | C | 6 | 43 | Los Angeles | S | 16 | 61 | Reykjavik | F | -3 | 27 | Zurich | C | 2 | 36 |
| Copenhagen | C | 2 | 36 | Luxembourg | Fg | 3 | 37 | | | | | | | | |
| Corfu | F | 14 | 57 | Madrid | C | 8 | 46 | | | | | | | | |
| Dallas | Sn | -7 | 19 | Majorca | S | 13 | 55 | | | | | | | | |
| Dublin | C | 7 | 45 | Malaga | S | 13 | 55 | | | | | | | | |

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

## Société Générale blocked

Continued from Page 1

surprise raid, registered a complaint about the Belgian company's plan and the president of the Brussels Commercial Tribunal, a specialised court, ruled yesterday that the use of authorised capital was not permitted in this way during the bid.

The move began a day of high drama with signs that a camp of "white knights" may be rallying behind the beleaguered Belgian institution and Mr de Benedetti spelling out more fully his ideas for the future of the group.

He confirmed at a press conference in Brussels that, after a meeting with Mr Mark Eyskens, Belgium's Finance Minister, he would be prepared to sell back part of his holding to Belgian shareholders "who are willing to accompany me in my project".

In this case he would be happy for the Cerus stake to be limited to around 25 per cent, but only on condition that he chose the "local partners" and that he remained "the reference shareholder in a position of control".

He made quite clear that this meant directing Société Générale's overall strategy

## Standard Chartered

Continued from Page 1

by Standard Chartered of illegal financial assistance for the purpose of the acquisition of its shares."

They also found no breach of the Company Securities (Insider Dealing) Act 1985.

Sir Peter Graham, Standard Chartered's chairman, said the outcome of the investigation was "a strong vindication" of the group's decision to seek it. "We can all be very pleased at the clarity of the conclusions. The episode is now behind us."

The Bank of England said it did not intend to publish the investigators' detailed report. The investigators are understood to have examined all transactions between January 1 1986 and January 31 1987 which Standard Chartered may have had with any party owning more than 1 per cent of its shares.

The Bank said it conducted about a dozen section 17 inquiries each year but had never published any reports arising from them. The Standard Chartered report contained a lot of detailed confidential information about the business affairs of individuals and companies, the Bank said.

## THE LEX COLUMN

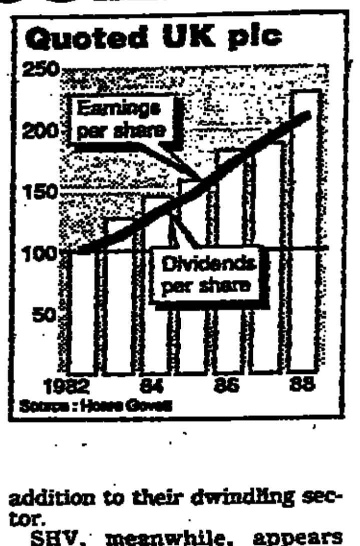
### A muffled vote of confidence

Standard Chartered's highly unusual decision to call in the Bank of England to prove that there had been no funny business in its successful rebuff of Lloyds Bank's takeover bid in 1986 appears to have paid off. There was always a danger that it might have backfired, by focussing attention on any weak spots in Standard's management team; but in the event the bank has been given a clean bill of health, removing a cloud which has been hanging over its affairs for more than a year.

Standard Chartered could not have asked for a clearer outcome of the investigation into its management's behaviour at the time of the bid than the Bank of England investigators' report. In addition, it has been spared any potential embarrassment which might have been caused by the publication of the full report, on the grounds that this would breach customer confidentiality.

But a greater degree of disclosure would have been highly desirable. And the conclusions to the report will have done little to reassure shareholders that the management's conduct during the bid was in their best long-term interests. The current share price is a painful reminder of the high price Standard Chartered has paid for its independence.

At 510p, the shares are yielding 9.4 per cent; and while this is not as high as Manufacturers Hanover of the US, whose shares are now yielding over 16 per cent, Standard Chartered is clearly the weakest member of the UK banking flock. Its profits have underperformed for years, its capital ratios are way below the average and its Third World exposure is too high. In addition, it has an unstable shareholder base and the ability of its management team to solve its long-term problems remains an issue. The stock market's justifiable concerns about these questions have not been allayed by yesterday's report.




#### Calor

The complex reshuffling of assets between Calor and SHV, the private Dutch holding company, has achieved that rare and happy balance of pleasing almost everyone. Calor's shareholders – never the fastest to spot the value of the parts in the whole – evidently judge that parting the oil assets from the bottled gas is worth an extra eight per cent on the share price. The businesses themselves gain by being released from a relationship that latterly has hampered, rather than enhanced, their growth; while oil analysts welcome the prospect of a big new addition to their dwindling sector.

SHV, meanwhile, appears happy to pay a premium to increase to 40 per cent its Calor stake, while simultaneously raising its stake in the French bottled gas company Primagaz. Indeed, according to SHV's grandiose European LPG strategy, it would want neither to increase its stake beyond 50 per cent, nor to sell at any but the most outlandish premium. Calor's weary managers may finally consider themselves as good as safe.

This does not mean that the prolonged struggle for control of the parts of the old IC Gas is over. In more ordinary times, investors might have accepted gladly SHV's cash offer for the new oil company, but with high scarcity value now attached to the remaining independents, they might well wait for better offers. With its superior collection of North Sea assets, a strong balance-sheet, and, in SHV, a shareholder which is at least prepared to talk, Newco must look more alluring than many of its peers. Carless Capel and Leonard, which alone must be dissatisfied with a deal that swaps its large minority in Century for a tiny one in Newco, may not be the only company that would love to buy it.

#### SE turnover

As any redundant stockbroker will attest, the UK securities industry is suffering from a gross excess of capacity over demand. The size of the gap is difficult to assess, since evidence of the behaviour of demand since Big Bang has been largely anecdotal; but the equity turnover figures for 1987 produced by Morgan Grenfell Securities provide the basis for a more factual approach.

The figures show major changes in the pattern of trading between Big Bang and the October crash: volume doubled overall, largely because trades between market-makers shot up to a point where they represented half the total. The crash sent intra-market trade tumbling back to under 40 per cent of the total, and the further drop to a one-third share predicted by Morgan Grenfell would be no bad thing. No doubt the market-makers provide liquidity to the system, but it is difficult to see how the system benefits if they earn their keep by taking in each others' washing.

The figures suggest that prices will stay volatile. Volume is still severely depressed, and while prices are not being seriously tested by buyers and sellers alike, the current rally remains suspect.

#### Quoted UK

The latest annual report for Quoted UK plc, an aggregate of UK quoted company profits calculated by Hoare Govett, is strikingly at odds with the stock market's mood of pessimism. Industrial earnings growth for 1987 looks to be turning out at 14 per cent and dividend growth at 12 per cent, while return on capital is higher than ever and gearing lower. Quoted company profits have outpaced inflation every year since the trough of 1980 by an annual average of over 10 per cent. Given that the corporate sector cannot go on increasing its share of GNP for ever, when does the music stop?

The question has been asked prematurely in earlier years, but this time it has an extra edge. The London market has been suffering lately from a slight nervousness about the corporate outlook which is hard to pin down. So far, it has no real basis in fact, and may only indicate that analysts are tired of pouring over the details of the twin US deficits and are looking for something more concrete to explain October's market collapse.

The quarterly trend in profits is discouraging. Phillips & Drew puts last year's first quarter growth at 27 per cent, followed by 24 per cent, 21 per cent and 18 per cent. The consensus for growth this year has been cut back since the crash, but is still around 10 per cent – roughly the same as at the start of 1980, which then produced an 11 per cent profits collapse. There is no evidence that 1988 will be remotely like that; but with confidence still shaky and the analyst community in limbo until the 1987 results season in six weeks' time, there is a distinct shortage of the kind of information the market wants most just now.

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US GROUP MOVES TO BLOCK ROCHE TAKEOVER OFFER

# Sterling Drug builds $2bn defence

BY JAMES BUCHAN IN NEW YORK

STERLING DRUG, the diversified US drug group which is fiercely resisting a takeover offer from F. Hoffmann-La Roche of Switzerland, said yesterday that it had lined up $2bn in financing which could be used in its defence.

The New York company, which faces an offer raised to $4.37bn by Roche on Monday, said it had an agreement with a big New York bank for a $2bn revolving credit facility.

Sterling Drug said the funds could be used for acquisitions, stock purchases and extraordinary dividends.

Wall Street's takeover speculators or arbitrageurs said yesterday that Sterling Drug, which said on Monday that it was talking with companies other than Roche about a sale of the business, had added a new line of defence.

They said Sterling Drug might use the $2bn to pay a big cash sum immediately to its stockholders. "It sounds to me like a super-dividend, leveraged recapitalisation," said an arbitrageur yesterday.

Late on Monday, Roche responded to Sterling Drug's angry rejection of its $72-a-share offer, by raising its bid to $76 a share, an increase of nearly $230m. Mr Fritz Gerber, chairman of Roche, said: "We continue to have great respect for Sterling's management and business and strongly believe than an agreed-upon combination will enhance Sterling's operations."

Sterling Drug stock was trading yesterday morning above the revised Roche offer, at $77⅜, up ¼. Arbitrageurs, while sceptical of the success of a recapitalisation plan, believe that either Roche or a friendly US or overseas company will have to pay more to shake Sterling Drug from its desire to stay independent.

Sterling Drug has sued Roche for alleged failure to comply with US disclosure regulations and insider trading, and is lobbying vigorously in Washington against the Swiss approach.

In a "recap," such as the risky scheme pioneered last year by Harcourt Brace Jovanovich, the publishing group, Sterling Drug would push its stock up above the Roche offer by paying out, for example, $50 a share in cash and leveraging the remainder of the company.

"But it's hard to announce a recap plan against an all-cash, fully financed offer of $76 from Roche," one arbitrageur said. To compete with such an offer, Sterling would have to offer a plan of at least $80 a share, he said.

# SCA moves into French nappy market

By Sara Webb in Stockholm

SVENSKA CELLULOSA (SCA), Sweden's second largest forestry and paper products group, is to buy Peaudouce, the leading French disposable nappy producer, for FFr1.962bn ($346m) from Financiere Agache, the French holding company.

The acquisition will help strengthen Moelnlycke, SCA's wholly-owned hygiene products subsidiary, which is the European market leader.

In particular, the acquisition will boost Moelnlycke's position in France, the UK, Greece, West Germany and the Benelux countries (Belgium, the Netherlands and Luxembourg), and will mean a better use of resources for research and development in a rapidly growing business area, said Mr Bo Rydin, SCA managing director.

The deal, which is subject to approval from the French authorities, confirms SCA's decision to build up the consumer products business area.

"This area is expanding more rapidly and is more profitable than the traditional forestry products area," Mr Rydin said. Its particular attraction is that profits do not fluctuate as much as those from pulp and paper.

Peaudouce has a turnover of FFr2.6bn, expects 1987 profits to reach FFr200m, and employs 3,000. Moelnlycke had a turnover last year of SKr7.4bn and expects profits to be SKr430m, so the deal will increase the subsidiary's turnover by about 33%.

Mr Tore Daun, Moelnlycke managing director, said turnover would rise to more than SKr11bn ($1.8bn) in 1988 after the Peaudouce acquisition. The SCA group expects final results for 1987 to show profits of SKr2.1bn on sales of SKr18bn.

Moelnlycke and Peaudouce have a similar products range and complementary geographical markets, Mr Rydin said.

Whereas Moelnlycke is traditionally strong in the Nordic countries, Benelux, and to a lesser extent West Germany and the UK, Peaudouce is the market leader in France where it has sales of FFr1.7bn against Moelnlycke's sales in France of SKr300m.

In addition, Peaudouce will almost double Moelnlycke's sales in the UK and will open up a position in Greece.

Moelnlycke is one of SCA's fastest growing subsidiaries: in the past decade its sales have grown by about 20 per cent a year.

Mr Daun said it was very important for Moelnlycke to increase in size through acquisitions so it could put more into research and development and meet competition from the big US names in hygiene, such as Procter and Gamble, Kimberly-Clark, James River and Scott.

SCA has seen the expansion of the hygiene products division as an important priority for some time.

# Henley seeks Santa Fe control by replacing group's directors

BY OUR NEW YORK STAFF

HENLEY GROUP, the Californian industrial holding company which last month dropped a $9.9bn takeover bid for Santa Fe Southern Pacific, is to seek control of the vast railroad, energy and property group through its boardroom.

In a filing with the US Securities & Exchange Commission yesterday, Henley said it planned to seek proxy votes from stockholders to replace Santa Fe's directors with candidates of its own.

Henley, which was formed by Mr Michael Dingman two years ago to take over and rejuvenate low-profit businesses, also filed suit to overturn a recent Santa Fe by-law which prevents it from combining with the Chicago group's other unfriendly shareholder, the Reichmann family of Toronto.

Henley, which is Santa Fe's largest stockholder, said yesterday it had spent $12.4m over the last three months raising its stake to 14.95 per cent. Olympia & York, the Reichmann's private real estate group, has 9.3 per cent.

In its filing, Henley said it wanted to ask Olympia & York to join the list of candidates for the Santa Fe board. But Henley said it was prevented from talking to Olympia & York by so-called "flip-in" provisions, added to Santa Fe's by-laws last month, which make a takeover excessively expensive.

Under the provisions, if a group of shareholders hold 20 per cent of Santa Fe a flood of stock will be issued to other shareholders.

Henley would be diluted to 3 per cent, the group said. It called the by-law "an inequitable manipulation of Santa Fe's corporate machinery."

The company is believed to be unhappy with Santa Fe's strategy, which was approved last month by the current board under Mr Robert Krebs, and which involves the sale of the Southern Pacific railroad and other assets to finance a special $4bn pay-out to stockholders.

Santa Fe separately said it had completed the sale of its Bankers Leasing and Financial Corp unit to Citicorp for $187.5m.

Bankers Leasing specialises in equipment leases to US corporations.

# Volvo agrees to sell foundry

BY OUR STOCKHOLM STAFF

VOLVO, the Swedish motor, energy and foods group, has reached preliminary agreement to sell one of its foundries to Intermet Corporation, the largest independent foundry company in the US. Terms were not disclosed.

Volvo wants to sell the Kockums Gjuteri foundry, based in Kallinge, Sweden, because it has spare capacity for which Volvo has no need.

The automotive group has two other foundries in Sweden with a total capacity of 100,000 tonnes.

The Kockums Gjuteri foundry has a capacity of 25,000 tonnes although at present it only produces 8,000 tonnes, of which 40 per cent goes to Volvo and the rest to other motor companies in Europe.

Intermet, which has a total foundry capacity of 375,000 tonnes a year, operates foundries in the US, West Germany and South Korea, and has been seeking to strengthen its position in Europe.

Volvo has invested about SKr100m ($16.5m) in the Kockums Gjuteri foundry over the past two years to make it more efficient, and said it had now reached break-even.

The foundry makes components for engines and rear axles.

Volvo said it would continue to buy components from the foundry after Intermet takes over.

●Perstorp, the chemicals group, plans to invest SKr250m in a chemical plant in the US.

The group said the plant would be built in Toledo, Ohio, and was due to be in operation by 1990.

It would manufacture trimethylolpropane (TMT), a chemical used in the production of paints and lacquers.

In full operation, the plant would make Perstorp the world's biggest producer of TMT.

# Record profits for Reynolds

BY OUR FINANCIAL STAFF

REYNOLDS METALS, the second largest US aluminium producer, has reported record earnings for the fourth quarter of 1987, and the year as a whole, reflecting "the unprecedented strong demand for aluminium worldwide."

The company also cited improved aluminium prices, revenues from gold operations, increased packaging, can and consumer product sales and the "cumulative benefits of ongoing cost reduction measures."

Net income in the fourth quarter totalled $80m or $1.50 a share, on revenues of $1.16bn. This compares with $76.3m or $1.67 a share in the final three months of 1986 which included a $116.2m pre-tax gain from the sale of stock in Robertshaw Controls. Revenues were $1.01bn in the fourth quarter of 1986.

For all of 1987, net income was $219.5m or $4.33 a share, on record revenues of $4.32bn. The result included extraordinary credits of $18.8m or 38 cents a share, consisting mainly of tax-loss carryforwards.

In 1986, net profits were $191.8m or $4.09 a share, after a $116.2m pre-tax gain from sale of Robertshaw stock, a $67.7m extraordinary credit from new pension accounting rules, and $22.2m in tax-loss carryforwards.

Aluminium shipments totalled 1.21m tonnes in 1987, up 10 per cent from the 1.09m tonnes shipped in 1986. Fourth-quarter shipments rose from 249,300 to 310,300.

Mr William Bourke, president and chief executive, said: "As we enter the new year, aluminium demand is on the rise and both producer and customer inventories are at historic lows. Despite restart of idle capacity by several producers, we see the tight supply-demand situation in aluminium continuing through the year, particularly in the first half."

# Mitel agrees to buy RCA Telephone

BY ROBERT GIBBENS IN MONTREAL

MITEL, the Ottawa telecommunications equipment maker controlled by British Telecom, said a subsidiary has signed a non-binding "memorandum of intent" to buy RCA Telephone Systems, a private branch exchange sales company, from General Electric of the US, for an undisclosed price.

RCA Telephone had sales of US$121m in 1986, the latest year available, and distributes Mitel and other private branch exchanges in the US.

The acquisition would give Mitel full sales and service coverage of the US market, an objective it has sought for many years. No decision has been made on whether RCA Telephone would continue to sell equipment not made by Mitel.

Mitel added that the acquisition would strengthen its distribution and help it compete more effectively with International Business Machines, Northern Telecom, and American Telephone & Telegraph, in the US telecommunications market in the small to medium-sized business sector.

Mitel's operations are based in Kanata, Ontario.

●Steinberg, Canada's third largest food distributor and a major real estate operator, is seeking outside offers for all its voting and non-voting shares as a way of settling a dispute over control within the Steinberg family.

The voting shares are almost all held by family members and family trusts. Analysts estimate the company is worth at least C$1.25bn (US$976m).

# Westinghouse earnings advance 9.9% in quarter

BY OUR NEW YORK STAFF

WESTINGHOUSE, the diversified maker of electrical equipment, reported a 9.9 per cent increase in fourth-quarter net income to $223.3m or $1.54 a share on an 8.8 per cent improvement in revenues to $3.12bn.

The Pittsburgh group, which said all divisions reported higher sales in the December quarter, said that its order book was higher than at December 1986 and it expected another "successful year."

Westinghouse, which has made great efforts to cut costs and raise profit margins in the past four years, reported net income for 1987 of $738.9m or $5.12 a share, against $670.8m or $4.42, on revenues of $10.68bn, against $10.73bn.

Last year, Westinghouse took a pre-tax gain of $651.2m on the sale of its cable operations, which was offset by a $790m charge for restructuring.

Westinghouse said that in the fourth quarter operating profits at its industrial and commercial divisions were up sharply.

# Investcorp heads buyout of aluminium producer

BY GEORGE GRAHAM IN PARIS

THECLA INDUSTRIES, the French aluminium extruder, has been bought by a group of investors headed by Investcorp, the Bahrain-based investment bank, for FFr57.6m ($10.1m).

Investcorp will provide 30 per cent of the equity for the buyout. It will be joined by Société Financière de Participation Industrielle, a group of French businessmen, taking 50 per cent, the Pallas group with 10 per cent and management with 10 per cent.

Thecla, which was formed earlier this year from three other companies, works as a subcontractor for Renault and Peugeot, the motor groups, and manufactures extruded aluminium and zinc-aluminium alloy products such as bathroom fittings and cash register frames.

Investcorp specialises in financing management buyouts and recently acquired the bankrupt French jewellery business of Chaumet.

●Rhône-Poulenc, the French state-owned chemicals group, is to buy Beta Physics, the polyester film subsidiary of Eastman Kodak.

# Canadian cable group plans big UK deal

By Raymond Snoddy in London

VIDEOTRON OF Quebec, Canada's second largest cable television operator, is planning a big investment in the UK cable industry.

The company, which has more than 900,000 subscribers – many of them in Montreal – is believed to be seriously considering an investment in Britain of well in excess of £100m ($180m).

The company has been having detailed talks with Mr Robert Maxwell's British Cable Services, a company which operates 36 old cable franchises in the UK, two new multi-channel franchises and large stakes in two cable channels.

Talks on Videotron taking a 49 per cent stake in British Cable Services are understood to be at an advanced stage and the signs are that a deal will be agreed.

This would require the permission of both the Cable Authority, the cable regulatory body, and the Department of Trade and Industry.

Mr Maxwell has been seeking partners to help finance a big expansion of cable television in the UK.

The publisher of Mirror Group Newspapers has already been awarded franchises in Guildford and Cardiff and had a large stake in Premiere, the cable film channel and a 51 per cent stake in MTV (Europe) the pop music channel.

Videotron confirmed yesterday that it was seriously interested in a major investment in the UK. The company is publicly quoted and had revenues C$289m (US$367M) last year.

If Videotron goes ahead the move will provide a big boost for the British cable industry which has been increasingly looking to the North American market to for large-scale funding.

# Leading US banks differ on provisions accounting

BY ANATOLE KALETSKY IN NEW YORK

LEADING US banks reported divergent fourth quarter results yesterday, drawing attention to the wide rift in attitudes to Third World loan losses which has opened up among US bankers.

Citicorp and J.P.Morgan, respectively the biggest and the best capitalised of the New York money centre banks, both announced higher earnings in the fourth quarter, choosing not to impair their reported profits by boosting provisions against troubled Third World loans.

These provisions currently stand at between 20 and 30 per cent of Third World exposure for the leading US banks. By contrast, a large number of the regional banks which are far less exposed to international lending have added substantially to their Third World reserves, typically boosting them to around 50 per cent of their non-trade related lending.

Citicorp reported an 87 per cent improvement in earnings to $642m or $1.89 a share in the fourth quarter. This compared with $306m or $1.01 the year before.

Citicorp noted that certain other banks had decided to add to their Third World provisions, but stated that it regarded its current reserve levels as "adequate and appropriate" in the light of its long-term commitment to the developing countries and the success it has had in finding flexible ways of managing its LDC exposure.

Morgan enjoyed an 17 per cent improvement in fourth quarter net income to $224.1m or $1.21 a share. This compared with profits of $190m or $1.02 a year earlier. Morgan did not increase its reserves for Third World loan losses beyond the $875m provision which it had made in the second quarter.

As a result of this provision, Morgan's profits for 1987 as a whole fell more than 90 per cent to $83.3m or 39 cents a share, against the previous year's $872.5m or $4.74. Meanwhile, Mellon and Wells Fargo, two of the leading regional banks, both added substantially to their Third World loss reserves. In this respect they followed the precedent set last month by Bank of Boston and, more recently, by Security Pacific, First Chicago and NCNB, a large bank holding company in North Carolina.

Mellon had a net loss of $234m or $8.68 a share in the fourth quarter and a loss of $844m or $31.19 in 1987 as a whole. The fourth quarter loss, which was $14m more than the bank had estimated in December, was due to a $308m provision for possible credit losses.

This provision reflected Mellon's lending problems both in the US and abroad, but the bank noted that its reserves for Third World lending now stood at $621m or 45 per cent of its exposure in the LDCs.

Wells Fargo made net profits of $11.2m or $1.95 a share in the fourth quarter, compared with $78.4m or $1.36 the year before. The fourth quarter result included an addition of $39m to Third World loss reserves, boosting their total value to $550m, equivalent to 50 per cent of non-trade related LDC exposure.

In 1987 as a whole, Wells Fargo made $50.8m or 52 cents a share, against $273.5m or $5.03 in 1986.

On Monday, First Chicago, the largest US bank outside New York and California, reported a loss of $96.5m or $1.57 a share for the fourth quarter, after adding $240m to its Third World reserves. These reserves now stand at $1.32bn, or 56 per cent of non-trade related LDC lending.

For 1987 as a whole, First Chicago lost $570.7m or $10.71 a share, compared with a profit of $249.2m or $4.20 in 1986.

NCNB, which also reported its results on Monday, boosted its reserves to 58 per cent of Latin American lending and made $14.7m or 17 cents a share in the fourth quarter, against $45.9m or 59 cents the year before. Its full year profits were $166.9m or $2.03 against $198.8m or $2.53 in 1986.

# Cap Gemini ahead 38%

BY GEORGE GRAHAM IN PARIS

CAP GEMINI SOGETI, the leading French computer services group, has reported a 38 per cent rise in net profits in 1987 on sales of FFr4bn ($705.5m).

Provisional unaudited net profits in 1987 reached FFr266m, compared with FFr193m in 1986, maintaining the same 6.6 per cent margin on sales as in the previous year. Turnover, however, has proved to be less than the FFr4.5bn originally forecast.

For 1988, after consolidation of SESA, the systems integration company which it bought in July last year, Cap Gemini expects group sales of about FFr5.4bn. It also expects a similar margin on sales, giving net profits of about FFr350m.

Cap Gemini has rapidly built a computer services empire both through internal growth and a series of acquisitions. Besides SESA, the group last year bought a 36 per cent stake in its main French rival CISI.

# Spanish bank jumps by 20%

BY DAVID WHITE IN MADRID

A SHARP improvement in Spanish bank profits for last year was confirmed yesterday when Banco Santander announced a rise of just over 20 per cent in group net earnings to Pta26.7bn ($243m).

The bank proposes to lift its total dividend to Pta110 per share, up 22 per cent. Late last year it increased its capital from Pta43.69bn to Pta48.32bn in a one-for-10 rights issue.

# First-half increase by Shin-Etsu Chemical

*By Ian Rodger in Tokyo*

PRE-TAX PROFITS of Shin-Etsu Chemical, a leading Japanese organic chemical maker, reached Y10.8bn ($83m) in the five months to November 30, up by 21.1 per cent compared with the first six months of the previous year. On the same comparison, sales were 4 per cent higher at Y110.2bn.

It was the first time sales had grown in three years, thanks mainly to the strong recovery of the domestic economy.

Chemical sales were up by 6.4 per cent, mainly because of improved demand for vinyl chloride, while electronics materials sales rose by 1.8 per cent.

Profitability also improved because of lower raw material prices, an improved operating rate, and the effect of rationalisation measures taken last year. Net profit in the shortened first half was up 28.5 per cent to a record Y5.3bn.

The company forecasts a pre-tax profit of Y17.4bn on sales of Y185bn in the current 10 months to its new fiscal year-end, March 31. It plans to pay an unchanged Y5 dividend for the period.

●Fuji Heavy Industries has acquired 30,000 shares, or 0.55 per cent of the capital, of Polaris Industries Partners of the US in an attempt to move into the snowmobile market.

Polaris, a leading snowmobile maker based in Minnesota, is capitalised at $97.6m.

# Anglovaal lifts gold production

BY JIM JONES IN JOHANNESBURG

ALL THREE of the gold mines managed by Anglovaal concentrated on increasing gold production in the December quarter of 1987 as a means of off-setting rising operating costs.

However, only one of the companies, Eastern Transvaal Consolidated Mines (ET Cons), lifted gold production by raising its gold recovery grade. Forward gold sale hedging contracts matured during the quarter and no more were taken up.

Hartebeestfontein, the largest of the group's mines, milled a slightly lower tonnage of underground ore at an unchanged 9.8 grams/tonne (g/t) recovery grade. During the quarter it brought its low-grade gold plant into production to process 158,400 tonnes of surface dump material grading 0.62 g/t. The low-grade plant is designed to process 120,000 t/month of low grade material at full capacity operations.

ET Cons, which operates three small gold mines in the mountains near the eastern Transvaal town of Barberton, increased its gold recovery grade to 10.4 g/t from the September quarter's 10.0 g/t. And though this was accompanied by a lower mill throughput and higher unit working costs, the operating profit increased due to the higher gold production.

The company is developing a fourth mine, Princeton, although development has been delayed by bad ground encountered in the 3.9 kilometre adit which will open up Princeton's ore.

In the Orange Free State, the Loraine mine lifted mill throughput slightly and held the gold recovery grade unchanged at 5.3 g/t. A slightly lower average gold price of Rands 30,495/kg combined with a 2.4 per cent increase in unit costs to cut the operating profit.

**ANGLOVAAL GOLD QUARTERLIES**

| | Gold produced (kg) | | After-tax profit (Rm) | | Earnings (cents per share) | |
|---|---|---|---|---|---|---|
| | Dec 87 | Sep 87 | Dec '87 | Sep '87 | Dec '87 | Sep 87 |
| E. Tvl Cons | 894 | 887 | 15.24 | 11.02 | 69.4 | 75.5 |
| Hartebeest | 7,956 | 7,946 | 66.77 | 50.82 | 37.7 | 39.5 |
| Loraine | 2,007 | 1,983 | 6.61 | 10.71 | 5.2 | 18.7 |

Earnings per share calculated after capital expenditure. Parentheses = negative

# Randfontein Estates back to normal

BY OUR JOHANNESBURG CORRESPONDENT

RANDFONTEIN ESTATES returned to normal in last year's December quarter after the labour disputes and three-week strike by black miners in the September quarter.

However, Mr Ken Maxwell, the mine's managing director, remains cautious. "I perceive an agenda on the part of the union to create more disruption," he said in Johannesburg yesterday. He said the National Union of Mineworkers (NUM) was trying to re-establish its membership in the mine after strikers who had not re-applied for their jobs had been dismissed.

Nevertheless, gold production has been restored and the uranium plant, closed during the August strike, operated without interruption. Uninterrupted underground ore production resulted in the gold recovery grade rising to 3.0 grams per tonne (g/t), from the September quarter's 2.8 g/t, and mill throughput increased to 2.05m tonnes, from 1.73m tonnes.

Neighbouring Western Areas, which is also managed by the JCI group, suffered a greater operating loss, as two fires at a substation affected production. Mill throughput fell to 872,000 tonnes, from the previous quarter's 950,000 tonnes, and the gold recovery grade slipped to 3.3 g/t from 3.4 g/t.

Mr Maxwell hopes the mine can be returned to profits but is reluctant to forecast when. Forward gold sales have matured and not been renewed. Over the past five years, currency and gold price hedging cost the mine several million rands and Mr Maxwell says he would be most reluctant to take out further contracts.

Development of Joel, the gold mine being developed in the Orange Free State, has been delayed by about two months by faulting and intersection of underground water. Stoping is now expected to begin only in June or July. Mr Bob Bertram, the consulting engineer, says that underground development sampling has indicated grades of 1,000 centimetre g/t and that reef widths of between 60cm and 80cm are being disclosed.

**JCI GOLD QUARTERLIES**

| | Gold produced (kg) | | After-tax profit (Rm) | | Earnings (cents per share) | |
|---|---|---|---|---|---|---|
| | Dec 87 | Sep 87 | Dec '87 | Sep '87 | Dec '87 | Sep 87 |
| Randfontein | 6,150 | 4,847 | 66.73 | 36.88 | 486.9 | (92.6) |
| Wstn Areas | 2,878 | 3,230 | (10.4) | (2.96) | (42.3) | (34.2) |

Earnings per share calculated after capital expenditure. Parentheses = negative

# El Helal Investment Company collapses

BY TONY WALKER IN CAIRO

EL HELAL Investment Company, a member of Egypt's fast growing Islamic investment sector, has collapsed and the head of the company has disappeared, according to reports in the Egyptian official press.

A proposed takeover of the failed company by El Rayan, the giant Islamic investment house, is not proceeding.

El Rayan, Egypt's biggest deposit taker in the non-banking financial sector, announced on January 10 that it was abandoning its plan to purchase El Helal, one of the smaller investment companies.

No reason was given in the newspaper announcement, but banking sources believe that El Rayan found that El Helal was in worse shape than at first seemed the case.

According to a Cairo magazine, the head of El Helal disappeared with E£20m ($9m) of depositors' funds. The October publication reported that directors were trying to save the company and repay depositors' funds.

El Helal had promoted itself as an investor in agriculture and food processing.

The company's collapse coincides with the introduction in Egypt's parliament of a new law governing the burgeoning investment sector which is largely unregulated.

The new regulations include the requirement that investment groups form joint stock companies and convert depositors' funds into shares. It also specifies much closer official supervision of the these groups, some of which are holding hundreds of millions of dollars of investors' money.

Existing companies will be given one year in which to comply with the regulations which also require publication of balance sheets, the depositing of funds with the Central Bank and official approval for money to be held abroad.

Egyptian authorities have watched with concern the phenomenal growth of Islamic investment houses which have offered high rates of return on depositors' funds. The Government fears that the collapse of one of these companies could provoke a run on the others.

# Second-quarter advance at MIM

*By Bruce Jacques in Sydney*

DESPITE A continuing drag from its troubled coal operations, MIM Holdings, the diversified Australian mining group, improved its pre-tax profits growth rate by 70 per cent in the December quarter.

The company reported net profits of A$40.1m (US$28.4m) in the December half, up only slightly on the A$38.9m earned in the previous corresponding half. But, before a tax bill which jumped from A$32.1m to A$45.5m in the half, earnings were up a healthier 20 per cent from A$71.1m to A$85.6 m.

This reflected pre-tax earnings of A$53.0m in the second quarter, an improvement of just over 70 per cent on the first quarter's A$31.7m.

Australian analysts are forecasting after-tax profits of A$120m to A$130m for the full year on the back of buoyant prices for copper, lead and zinc. MIM is a world-ranking producer of all three metals.

The black spot in MIM's results continued to be its high-cost Queensland coal operations, which plunged from a A$124.1m profit to a A$16.5m loss in the half, but a bull point was a resumption of dividend by its 24.4 per cent-owned US affiliate, Asarco.

The results were overshadowed by an exchange loss of A$70.3m, which, under Australian accounting conventions, must be taken above the line.

This meant that MIM technically reported a A$30.2m loss for the period (A$11.2m loss previously), even though the exchange losses are almost entirely unrealised and therefore have no cash effect.

MIM has declared a steady 2 cent a share interim dividend but it will be paid on bonus-increased capital, lifting the payout from A$12.2m to A$19.6m.



# Faber Merlin plans to diversify to cut losses

BY OUR FINANCIAL STAFF

FABER MERLIN Malaysia, Malaysia's largest hotel group, plans to diversify to cut large losses recorded over the past two years.

With the hotel and property sector expected to remain sluggish for some time, Faber Merlin is finalising plans to diversify into such areas as timber and engineering, according to Mr Yusof Abdul Rahman, the corporate affairs general manager.

"Our strategy is to bring down hotel operations to a more manageable level and move into areas which will bring in quick cash from minimum investments," he said. "We expect a complete turnaround by the end of 1988."

The group recorded a net loss of 91.6m ringgit (US$35.9m) for the fiscal year ended in June, after a loss of 64.2m ringgit a year earlier. Losses from its hotel division amounted to 27.4m ringgit.

During 1986 and 1987 the group closed five hotels – three in Malaysia, one in the US and one in Thailand.

"The timber business will alleviate immediate cash flow problems and we are banking on our engineering business plans to bring the group back to profitability," Mr Yusof said.

He added that the losses were due mainly to the depressed property market and several bad business deals before 1984.

A lease agreement on a hotel in Perth, Australia, is due to run for the next 40 years.





# Downturn at Olympus Optical

**By Our Financial Staff**

CONSOLIDATED NET earnings of Olympus Optical, a leading Japanese maker of cameras, microscopes and optical medical equipment, fell by 32.7 per cent in the fiscal year ended October 31 to Y5.2bn ($40bn), from Y7.73bn in the previous fiscal year. Earnings per share dropped to Y25.38, from Y36. Sales grew, however, by 6.1 per cent, to Y165.15bn, from Y155.72bn.

Domestic sales, accounting for 33 per cent of business, dipped 1.6 per cent from the previous fiscal year to Y54.55bn. Overseas sales were Y110.61bn, showing a 1.6 per cent rise.

John Wyles on the complex structure of Carlo De Benedetti's master company

# Cofide spins a tangled corporate web

THE BOARD of Société Générale de Belgique has a worthy adversary in Carlo De Benedetti.

With a winning combination of opportunism, courage and imagination, and aided by booming stock markets, he has stitched together an industrial and financial empire over the last three years with a system of cross holdings and shared ownerships which threaten to be as complicated as those developed by the Belgian company in its 150-year history.

For some time the logic of it all defeated analysts and many concluded that he was a brilliant player of markets whose acute eye for a deal guaranteed him the financial and other support he needed.

Glittering names have barely hesitated to attach themselves to his bandwagon so that the list of shareholders in Cofide, his key holding company, is spiced with blue chip names from international finance.

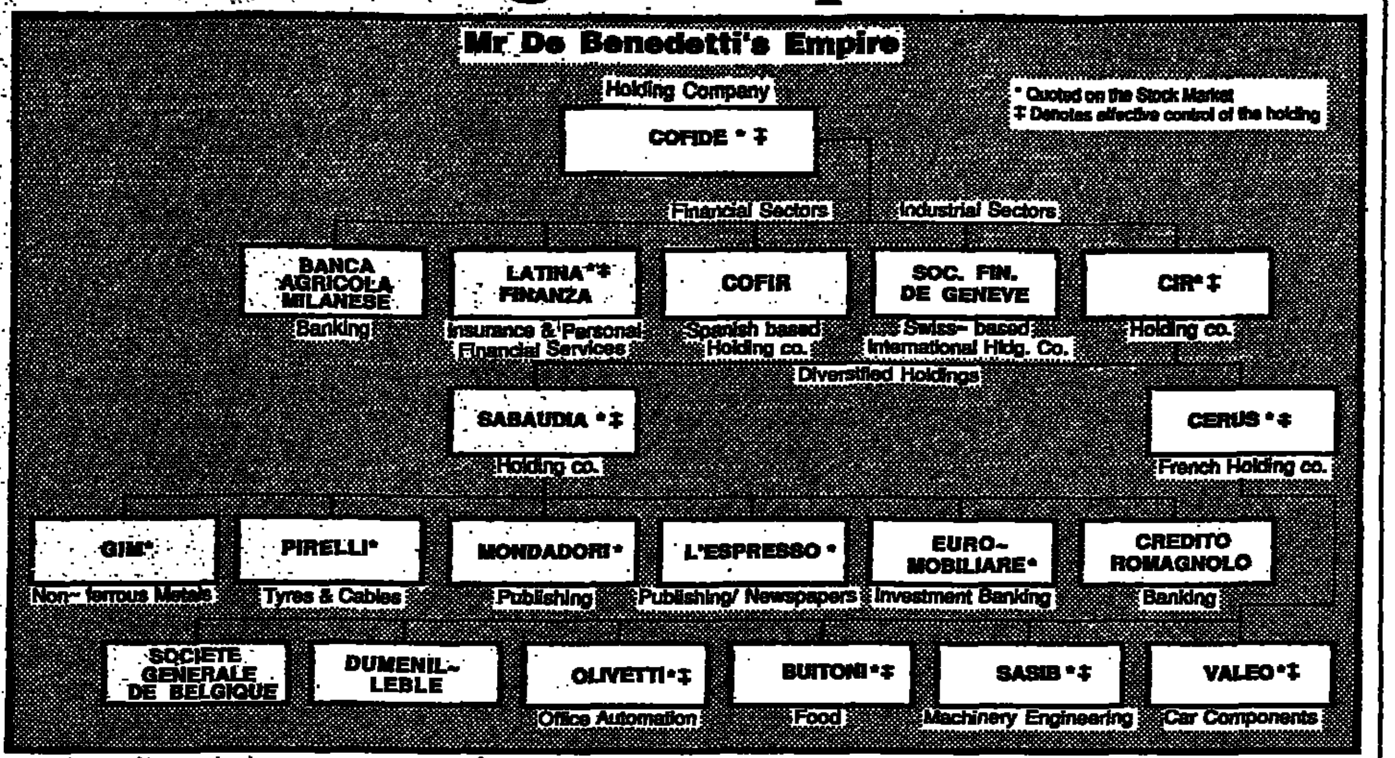
De Benedetti's own personal holding is 47 per cent but family control is assured by an alliance formed last year, after a long estrangement, allowing his cousin Camillo a 15 per cent stake.

Then come international stars like Shearson Lehman of the US with 4 per cent, Nomura Securities of Japan with 1 per cent, the Suez Group of France with 4 per cent and Dreyfus Corporation of the US and SG Warburg, the UK merchant bank, with 1 per cent each.

These are now sitting on top of an industrial and financial group employing more than 100,000 people with combined revenues of around $14bn. The stock market crash has wrought some damage to the group's capitalisation, but it stands, nonetheless, at around $9bn.

The question of what it all adds up to, however, is even more pressing in view of Mr De Benedetti's quest for the highly diversified and far-flung Société Générale.

By the beginning of last year, Mr De Benedetti was insisting that the logic was clear enough.




On the industrial side, he was seeking to concentrate on four sectors: office equipment (through Olivetti), food (Buitoni), machinery (Sasib) and car components (Valeo).

This did not exclude, of course, the maintenance of significant publishing interests in Mondadori and L'Espresso.

Mr De Benedetti intended last year to be the year of consolidation. Accordingly he raised somewhat fewer funds through equity and bond issues than the $2bn acquired in 1986, but the rate of development of his industrial interests through acquisitions and joint ventures was startling.

By the end of August, Olivetti had announced no fewer than 10 purchases, joint ventures and minority investments, while Buitoni had brought three companies in France and Italy, Valeo one in France. Sasib four packaging machinery companies in Italy and Sabaudia a 20 per cent stake in a paper group.

Cerus, the French holding company, had, meanwhile, taken a 4.9 per cent stake in the Pearson Group – sold at a L40bn ($32.4m) profit to Mr Rupert Murdoch last week – and 25 per cent in a leading French data base, Dafsa.

Mr De Benedetti insists that each industrial sector pursues its own strategy, that synergies are exploited where possible but that separate managements and stock market quotations distinguish his group from the conventional conglomerate.

If anything, the web of his financial interests is even more tangled although the underlying strategy is said to be directed at building up a transnational financial services and banking group.

The stake in Dumenil-Leblé and the bid for a controlling slice of Société Générale would seem to serve this purpose, although one would like to know much more about Mr De Benedetti's definition of a European holding company which he says is his ultimate goal.

Last year, Mr De Benedetti laid the foundations for his expansion into financial services, building on small stakes in two Italian banks, Banca Agricola Milanese and Credito Romagnolo, and in insurance through Latina.

In February, he set up a new joint venture with Shearson Lehman American Express designed to market in Italy unit trusts, private pension schemes, insurance and other services.

Cofide's 75 per cent stake in this company, Finanza Futuro, was put into Latina in December so that this became the key holding company for Cofide's Italian financial services interests.

During the course of the year, Mr De Benedetti also went into a financial services joint venture with Banca di Roma and widened his links with Mr Raul Gardini's Ferruzzi group which took a 2.5 per cent stake in the CIR holding company as a prelude to the formation of a new stockbroking firm to be owned jointly by the De Benedetti group, Ferruzzi and Euromobiliare.

In October, Cerus moved into French insurance broking with 80 per cent of a new broking company, Interbrokers France, which was set up with a brokerage house effectively controlled by the Rothschild group.

The question could now be whether Mr De Benedetti's restless appetite will extend to any other of the illustrious partners who have joined him in his myriad ventures.

# DAL completes restructuring

BY ANDREW FISHER IN FRANKFURT

DEUTSCHE Anlagen-Leasing (DAL), the once-troubled West German leasing company, has completed its restructuring and is ready to look for new business, according to Mr Horst Piaschna, chief executive.

DAL's result for 1987, still to be reported, would at least break even, Mr Piaschna said, after a DM1.8m ($1m) profit in 1986 and break-even in 1985.

In 1984, the company incurred a loss of DM497m. It first ran into trouble in the late 1970s amid charges of gross mismanagement.

Mr Piaschna said DAL would become more active in the leasing market, having recently devoted its main efforts to financial recovery. New business in 1987 totalled DM75m after DM68m the previous year. The total volume of its leasing business was DM2bn at the end of 1986.

The Mainz-based company is concentrating on both small- and large-scale property leasing, where it has considerable experience. It is also increasing its marketing network.

Mr Piaschna said the drive for new business would include co-operation with shareholders. These comprise Westdeutsche Landesbank (30 per cent), Landesbank Rheinland-Pfalz (26.6 per cent), Bayerische Landesbank (16.7 per cent) and Hessische Landesbank (16.7 per cent).

DAL has taken over the 10 per cent stake sold by Dresdner Bank at the end of last year.

# Austrian state group holds loss to Sch8bn

By Judy Dempsey in Vienna

OIAG, THE Austrian holding company for state-run industries, announced losses of Sch8bn ($675m) in 1987 but still expects to break even by 1991, Mr Rudolf Streicher, the minister for nationalised industries, said yesterday.

The group had forecast losses of between Sch8bn and Sch9bn, compared with losses of more than Sch11bn for 1986.

Voest-Alpine, the heavy steel and engineering subsidiary, recorded losses in excess of Sch4bn and Vew, the fine steel company, lost more than Sch3.2bn. Chemie Linz, the chemical and pharmaceutical company, accounted for the remaining losses.

OIAG's results come as the group attempts a massive restructuring programme. The scheme involves cutting the 90,000-strong workforce and a partial sell-off of some of the industries.

In spite of the continuing losses, Dr Michael Sekyra, OIAG managing director, said recently that the group would not receive any more subsidies from the Government.

# Nord/LB sees 24% decline in profit

BY HAIG SIMONIAN IN HANNOVER

NORDEUTSCHE Landesbank (Nord/LB), West Germany's ninth largest bank, expects 1987 partial operating profits to fall by 24 per cent to about DM200m ($119m) against DM257m in 1986.

Full operating profits, which include gains from own-account trading of securities and foreign exchange, are likely to decline to about DM290m against DM387m in 1986, said Mr Bernd Thiemann, chief executive.

The bank is raising DM250m in new capital through the issue of participation certificates in order to meet new capital ratio requirements.

It intends to pay a renewed 4 per cent dividend to shareholders, the state government of Niedersachsen and local savings bank groups.

The preliminary profits figures, which are the first reported by any leading German bank for 1987 as a whole, reflect the falls indicated by most big banks at the 10 months' stage last year.

Nord/LB's interest income slipped to DM570m last year, compared with DM592m in 1986, with its interest margin declining to about 0.90 per cent against 1.03 per cent the previous year, Mr Thiemann said.

Fee income fell to about DM45m last year, against DM52m in 1986. The bank has been somewhat less hard hit than certain counterparts by the collapse in share prices owing to its relatively low exposure to the securities markets.

# Seven-year $200m issue in Eurodollars for NTT

BY CLARE PEARSON

NIPPON TELEGRAPH and Telephone tapped the seven-year area of the Eurodollar bond market yesterday with a $200m bond successfully pitched at investors interested in extending maturities in the light of last Friday's encouraging US November trade data.

Until this week, extreme nervousness among investors has forced borrowers in the Eurodollar market to confine themselves to issues with maturities of less than three years, which can be viewed virtually as money market instruments.

Although a seven-year deal for Caisse Centrale de Cooperation Economique had met little enthusiasm when it was launched on Monday, NTT's bond, led by J.P. Morgan Securities, went down well and was bid as high as less 1.45, well within its 1⅞ per cent fees.

Dealers said yesterday's 9⅜ per cent issue, priced at 101⅛, was for the right name and looked attractively priced, since it provided an initial yield spread of 80 basis points over comparable US Treasuries, some 10 basis points higher than CCCE's deal.

Meanwhile, the Eurodollar market continued firm, even though US Treasury bonds suffered a correction after Friday's sharp gains. This helped keep Norway's $500m five-year bond, launched on Monday, quoted at less 1.70 bid — a discount within its total fees.

Unlike Treasuries, the Eurodollar market seemed impervious to the release of figures showing a widening in Japan's trade surplus with the US in December. These raised some fears of a corresponding setback in US figures for that month, even though one set of numbers is by no means the mirror image of the other.

Kleinwort Benson spotted that scarcity of paper maturing in more than five years' time was also a feature of the Eurosterling market. So it launched a further £100m tranche of a bond, due November 1994, for the European Investment Bank, doubling the size of the original deal which was issued last July.

When the two tranches come to be traded interchangeably from this November, the bond will be the largest issue in the five to 10-year area of the Eurosterling market.

Dealers said the new 9¾ per cent issue, priced at 99½, compared with the older tranche which was yielding only a couple of basis points more than the comparable gilt. The new tranche traded slightly outside its 1⅞ per cent fees at less 1⅝ bid, providing a yield around 10 per cent.

INTERNATIONAL BONDS

Banque Francaise du Commerce Exterieur issued a successful DKr320m bond in the Danish kroner market, which lead manager Privatbanken said attracted interest from Continental investors as an alternative to the issues for Scandinavian names, which are more common in the sector.

The 10¾ per cent bond, priced at 100⅞, matures in September 1991 and has a long first coupon. It traded as high as less 1 bid compared with 1⅞ per cent fees.

An Ecu 50m three-year 7½ per cent deal for Credit Local de France (formerly CAECL) also met a fair reception, trading at less 1⅜ bid to its 101 issue price, the same discount as its total fees. It was led by Union Bank of Switzerland (Securities).

The borrower changed its name from CAECL following a restructuring at the end of last year, when French government ownership was reduced from 100 per cent to 78 per cent.

Selected Euroyen bond prices fell sharply yesterday morning despite an improvement in the Japanese government bond market as rumours circulated that a sovereign borrower would shortly issue a sizeable bond. Both Canada and Sweden were tipped as the likely borrowers. No issue emerged.

In the buoyant market for Japanese equity warrants, Nomura International launched two further issues which had been delayed at the time of the stock market crash. These were for Toyo Construction and Yuasa Battery. Both totalling $50m, with five-year maturities, bore 5 per cent indicated coupons and traded at premiums to their par issue prices.

Despite the Eurodollar market's optimism, D-Mark bonds saw strong buying from foreign investors yesterday on speculation the dollar might drop again. Along with buoyant domestic liquidity, this pushed prices of domestic bonds as much as 65 basis points higher at the longer end amid lively turnover.

The market was unaffected when the Bundesbank said it would hold a press conference after its meeting tomorrow, as this was expected to focus on the money supply target, rather than directly on West German interest rates.

The D-Mark Eurobond market was more subdued than the domestic side, though it continued firm with investors concentrating on some five-year and supranational issues.

Shorter-dated bonds were in most demand in the Swiss franc foreign bond market. Elsewhere, turnover was only moderate. A SFr200m 4⅜ per cent 10-year bond for Nippon Telegraph and Telephone closed its first day's trading at par, ¼ point below its issue price. This was slightly below expectations.

Credit Suisse led a SFr89m 4½-year bond for Queensland Government Development Authority, with a 4¼ per cent coupon and 100½ pricing. This was quoted in the grey market at less ⅛ bid, benefiting from the popularity of Australian borrowers with Swiss investors.

Morgan Guaranty (Switzerland) led a SFr75m seven-year 4⅜ per cent subordinated bond for Union Bank of Norway, priced at 100¼.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 19

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey National 7½ 92 | 200 | [illegible] | [illegible] | [illegible] | [illegible] | 9.21 |
| All Nippon Air 9⅞ 97 | 100 | [illegible] | [illegible] | [illegible] | [illegible] | 10.01 |
| American Brands 8⅞ 92 | 150 | [illegible] | [illegible] | [illegible] | [illegible] | 9.45 |
| A/S Eksportfinans 7⅞ 93 | 100 | 94 | [illegible] | 0 | [illegible] | 8.94 |
| A/S Eksportfinans 7¼ 92 | 150 | [illegible] | [illegible] | 0 | [illegible] | 8.98 |
| Barc. Bk. Fin. 10¼ 89 | 200 | [illegible] | [illegible] | 0 | [illegible] | 8.46 |
| Belgium 9⅛ 92 | 400 | [illegible] | [illegible] | 0 | +1 | 8.93 |
| British Telecom 7⅞ 96 | 250 | [illegible] | 89 | 0 | [illegible] | 9.58 |
| British Telecom 8⅞ 94 | 150 | [illegible] | [illegible] | [illegible] | +2 | 8.96 |
| Canada 9 96 | 1000 | [illegible] | [illegible] | [illegible] | [illegible] | 9.01 |
| Canadian Pac 10¾ 93 | 100 | †104 | 105 | [illegible] | [illegible] | 9.61 |
| C.C.C.E 7⅞ 93 | 113 | [illegible] | [illegible] | 0 | [illegible] | 8.72 |
| C.N.C.A 7¾ 92 | 150 | [illegible] | [illegible] | [illegible] | [illegible] | 8.49 |
| Coca-Cola Ent. 8¾ 90 | 100 | †102 | [illegible] | [illegible] | +2 | 7.20 |
| Credit Lyonnais 9 91 | 200 | 101 | [illegible] | [illegible] | [illegible] | 8.56 |
| Credit National 7⅞ 92 | 100 | 95 | [illegible] | [illegible] | +1 | 8.78 |
| Credit National 7¾ 92 | 150 | [illegible] | [illegible] | [illegible] | +1 | 8.69 |
| Denmark 7⅞ 92 | 500 | [illegible] | [illegible] | 0 | +1 | 9.07 |
| Denmark 8¾ 93 | 300 | [illegible] | [illegible] | 0 | [illegible] | 7.84 |
| E.E.C 7 91 | 100 | [illegible] | [illegible] | [illegible] | [illegible] | 8.52 |
| E.E.C. 7¾ 93 | 250 | [illegible] | [illegible] | [illegible] | +1 | 8.91 |
| E.E.C 8¾ 96 | 100 | 93 | [illegible] | [illegible] | [illegible] | 9.45 |
| E.I.B. 7⅞ 93 | 100 | [illegible] | [illegible] | 0 | [illegible] | 8.94 |
| E.I.B. 9⅞ 97 | 150 | [illegible] | [illegible] | [illegible] | [illegible] | 9.38 |
| Finland 7⅞ 97 | 200 | [illegible] | [illegible] | [illegible] | [illegible] | 9.55 |
| Finland 7½ 93 | 200 | [illegible] | [illegible] | [illegible] | +2 | 8.85 |
| Ford Motor Cred 11⅞ 90 | 100 | [illegible] | [illegible] | [illegible] | +1 | 7.85 |
| Gen Elec Credit 10¾ 00 | 200 | [illegible] | [illegible] | [illegible] | [illegible] | 9.87 |
| G.M.A.C. 8 89 | 250 | [illegible] | [illegible] | 0 | [illegible] | 8.21 |
| G.M.A.C. 8¾ 89 | 200 | [illegible] | [illegible] | 0 | [illegible] | 7.83 |
| Hoesch 8¾ 97 | 100 | [illegible] | 90 | [illegible] | [illegible] | 10.00 |
| Hoesch 7⅞ 92 | 100 | †95 | [illegible] | [illegible] | [illegible] | 8.76 |
| Liberty Mutual 8½ 96 | 150 | †95 | [illegible] | 0 | [illegible] | 9.32 |
| L.T.C.B of Japan 8 92 | 100 | [illegible] | [illegible] | [illegible] | +1 | 8.82 |
| L.T.C.B.of Japan 8 97 | 200 | [illegible] | [illegible] | 0 | [illegible] | 9.95 |
| Merceds-Benz Cred 8¾ 92 | 100 | †99 | [illegible] | 0 | [illegible] | 8.44 |
| Mitsubishi fin. 7⅞ 93 | 100 | [illegible] | [illegible] | [illegible] | +2 | 9.32 |
| Mutual America 7⅞ 92 | 100 | [illegible] | 95 | 0 | [illegible] | 9.26 |
| Norway 7¾ 91 | 500 | [illegible] | [illegible] | 0 | [illegible] | 7.68 |
| Pepsico Inc 7⅞ 93 | 200 | 95 | [illegible] | [illegible] | [illegible] | 8.54 |
| Prudential Crp. 8¾ 94 | 125 | [illegible] | [illegible] | 0 | [illegible] | 8.94 |
| [illegible] | | | | | | |

Average price change... On day 0 on week +0⅛

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

* No information available-previous day's price
† Only one market maker supplied a price

Straight Bonds: [illegible]



# Matra sale price set at FFr110 per share

By George Graham in Paris

MR EDOUARD BALLADUR, the French finance minister, has fixed the privatisation price of Matra, the electronics and armaments group, at FFr110 a share, valuing the company at FFr2.19bn ($386.5m).

The price is just under 10 per cent above the minimum value of FFr99 fixed for Matra by the independent privatisation commission, but 10 per cent below the level – after allowing for a 12-for-one split – at which shares were suspended on Monday in anticipation of the privatisation.

Three months ago, when Mr Balladur was forced to suspend Matra's privatisation at the last minute, in the wake of the world stock market crash, the company's market capitalisation was 30 per cent higher.

The government is putting its 50.97 per cent controlling stake in Matra up for sale, with 18.8 per cent on public offer, 4.5 per cent for employees and a reserve of 5.6 per cent kept to allow for a loyalty bonus distribution in 18 months' time.

A hard core of friendly shareholders will receive a 22 per cent block of shares at FFr121 a share, 10 per cent above the public offer price. Besides MMB, one of the private holding companies of Mr Jean-Luc Lagardère, Matra's chairman, with 6 per cent, the core includes Daimler-Benz of West Germany and GEC of the UK with 4 per cent each, the Wallenberg group of Sweden with 2 per cent and three French financial institutions with 2 per cent each.

Two candidates for the hard core, one of them foreign, were rejected. The Ministry said that one had been refused for competition reasons and the other because of the stakes it had already received in other privatised companies.

Although the cash call on the market is relatively modest, many brokers fear that the Matra flotation may still put undue pressure on liquidity.

Individual investors will, as with previous French privatisations, receive one free share for every 10 Matra shares they buy at the flotation, as long as they hold on to them for 18 months.

David Thomas writes: GEC regards its investment in Matra as a platform from which to launch a broad range of collaborative ventures.

GEC said it was interested in most of the areas in which its interests overlap with Matra, including defence, space, telecommunications and transport equipment.

# GFSA pays same despite lower profit

By Jim Jones in Johannesburg

LOWER RAND-denominated gold prices pruned the interim earnings and profits of Gold Fields of South Africa (GFSA), the offshoot of Consolidated Gold Fields, in the half-year to December 31, 1987.

Nevertheless, the interim dividend is unchanged and the board believes full-year earnings will be little different from those of the last financial year – if current metals and minerals prices persist.

Interim pre-tax profits slipped to R144m ($72m), from R154.8m, first-half earnings were 161 cents a share, against 166 cents, and the interim dividend was unchanged at 65 cents. Pre-tax profits totalled R335.6m in the financial year to June 30, 1987. The year's earnings were 368 cents and the total dividend 185 cents.

About 80 per cent of GFSA's income comes from gold and, of this, about 75 per cent is derived from the Kloof and Driefontein Consolidated mines, South Africa's two richest gold producers.

The house is slowly diversifying away from gold and was helped during the past six months by stronger copper prices, which sharply boosted profits at the O'okiep and Tsumeb subsidiaries. Gold Fields Coal, the group's coal arm, has suffered from low export prices and poor domestic demand.

Black Mountain, the lead/zinc/copper mine, increased production, but was affected by higher sales costs.

The group's latest diversification is the R559m Northam platinum mine, being developed in the northern Transvaal. It is on schedule to produce its first platinum in 1991 when, competitors fear, the world's platinum market will be over-supplied.

Mr Ozal's re-election has pleased banks, reports Stephen Fidler

# Turkey keeps financial balance

TURKEY CONTINUES to walk a tightrope on its foreign debt payments, yet it has proved itself to be far better at balancing them than anyone was predicting a couple of years ago.

At the end of this year, Turkey will have gone through a three-year hump in repayments on its external debt, which totals about $34bn. After repayments amounting to $5.5bn in 1986 – some 40 per cent of its foreign currency receipts on the current account – it must find an estimated $6.2bn to repay principal and interest this year.

Most bankers are betting that the country will do it, but a sign of the nervousness that surrounds the issue was delivered by the furore which surrounded the reported utterances of the deputy chairman of the ruling Motherland Party – not a noted spokesman on economic policy – after its convincing election victory in October.

His reported statement, flashed across bankers' Reuters screens, that Turkey might have to reschedule its debt this year sent a temporary shiver of panic through bank creditors. The report was swiftly denied by, among others, Mr Turgut Ozal, the prime minister, and calm quickly returned.

Turkey has often been cited by bankers as a success story for the strategy with which they have approached many problem debtor countries in recent years. It returned to creditworthiness and to international borrowing after reaching debt rescheduling agreements, accompanied by an IMF-agreed economic adjustment programme, in the early 1980s.

But the 1987 election had worried many of Turkey's creditor banks. The prospect of an over-expansionary economic policy in an attempt to ensure the reelection of the ruling party had led many to feel that the country's domestic and external financial position would deteriorate during the year.

| TURKEY'S BALANCE OF PAYMENTS | TLm 1987* | TLm 1986 |
|---|---|---|
| Exports | 7,883 | 7,456 |
| Imports | 10,795 | 11,104 |
| Trade deficit | -2,912 | -3,648 |
| Interest payments | -1,382 | -1,302 |
| Workers remittances | 1,291 | 1,010 |
| Current account‡ | -310 | 1,206 |
| Direct investment | 105 | 98 |
| Debt principal repayment | 1,790 | 1,464 |

*Jan-Oct only. ‡Jan-Aug only.

Source: State Planning Organisation

In fact, only the domestic economy seems to have suffered. Inflation, by many estimates, is now running at 50 per cent or over, and while the official figures for the budget deficit put it at around 2 to 3 per cent of gross domestic product, this hides a multitude of hidden public sector borrowings, which bring the true figure closer to 12-15 per cent.

This week, the World Bank cited Turkey's high inflation as evidence of the difficulties which many governments face in consistently pursuing economic reform in the face of the high social and political costs of austerity.

Economic growth roared ahead at an estimated 7 per cent in 1987, but now the government is pledged to ensure some cooling this year, with growth of no more than 5 per cent.

On the external front, the news was better than expected. Exports were on a sharp upward trend in 1987, rising to an estimated $10bn from $7.6bn in 1986 – although how much of this figure is accounted for by laggardly payers, such as Iraq, is hard to judge.

Invisible earnings – foreign currency receipts such as tourism – were also higher than expected, thanks mainly to a rise in remittances which came perhaps to $2bn in 1987. This may have been helped by the fall of the dollar against the D-mark – in which most of the hard currency remittances are made – and possibly from once-and-for-all remittances as Turkish workers return home.

Ms Sarah Hewin, economist with American Express Bank in London, is among those who believes there is little prospect for significant increases in either exports or remittances this year.

As a result, it is particularly important for the Turkish government that bank lenders do not fall away this year. The high proportion of the country's foreign debt in the form of short-term credits makes this of particular concern.

The single factor most likely to encourage bankers is the return of Mr Ozal to office. Several deals for the country being put together ahead of the elections met significant resistance from banks, which eased perceptibly following the election.

Turkey is helped because it is one of the few sovereign borrowers current on debt repayments which yields banks more than a percentage point over interbank rates.

Bankers also believe the government is imposing more order on the sometimes chaotic system of project financing, and attempting to impose greater order on its priorities.

Turkey has been a regular visitor to the international loans market for infrastructure finance – including, late in 1987, deals to finance a $206m project to build a by-pass around Izmir and a DM730m plan to built a power plant at Ambarli.

Among the financings expected for 1988, are deals for a build-operate-transfer coal fired power plant project, for the supply of armoured vehicles, and perhaps even for a third Bosphorus bridge.

If Turkey gets through 1988 without some form of debt restructuring, the bankers will breathe a sigh of relief. Yet longer-term problems will not be answered until the country sorts out its chronic inflation problem.

"What the country needs now," said one British banker, "is foreign equity investment to take some of the emphasis off foreign bank finance. But that's not going to happen with the kind of inflation we are seeing – the returns in devalued Turkish lira would have to be astronomical for it to make any sense."

# L F Rothschild to fire 50

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

L F ROTHSCHILD, the New York securities firm, is making more than 50 people redundant in a significant pull-back from the London financial market.

The firm, which lost a quarter of its net worth in the October stock market crash, will be left with 10 people in its London office, compared with 70 before the cuts were announced. A small number will be moved to New York.

Its London operations, which had expanded rapidly from the middle of 1986, had been engaged in the sales and trading of US equities and dollar denominated bonds, including Eurobonds. The rump of the firm in London will continue to engage in trading as principals in equity and debt securities.

L F Rothschild will service its UK and European institutional clients from New York and operations in Eurobonds will be limited to clients-only business.

The firm, which is not connected with any of the London or European firms with the Rothschild name, announced in December that it would sack 700 employees, almost 40 per cent of the workforce. It announced losses of $44m in the October collapse, mainly in arbitrage, where firms aim to profit from trading in takeover-related stocks.

Mr Richard Jackson, head of the firm's London operation, blamed the retrenchment on a significant drop in trading

The announcement will have come as a personal blow to Mr Jackson, who joined the firm from Citibank only in September, after 23 years with Citibank in positions in the Far East and Europe.

# Philadelphia options move for Salomon

THE PHILADELPHIA Stock Exchange has named Salomon Brothers as a specialist and primary market maker in foreign currency options traded at the exchange's evening sessions, Reuter reports from Philadelphia.

The exchange said that the move will be effective from February 4 and will be the first time in Salomon's 78-year-history that it will act as specialist in a security traded on an exchange floor.

# NHLC to raise £97m for £4bn borrowings ceiling

BY DAVID WALLER

**National Home Loans Corporation**, the specialist mortgage lender, plans to raise £97m throught the issue of 100m new convertible preference shares. The issue will double the company's capital base, and allow it to support borrowings of up to £4bn, twice its present limit.

Mr Richard Lacy, chief executive, said that the fortification of NHLC's balance sheet would remove any artificial constraint to the company's growth over the next two years, during which time NHLC is expected to encounter stiff competition from newly liberalised building societies.

NHLC differs from building societies in that it finances its mortgage lending by borrowing from wholesale money markets, rather than principally from individual savers. Borrowing is limited to 20 times its capital base, giving a threshhold of £2bn (on a fully diluted basis) prior to the issue.

Mr Lacy anticipates that borrowings would reach that limit within two years, based on the expected rate of growth in NHLC's investment in mortgages. The investment stood at £1.07bn at the end of last year, against £993m at the end of September.

The new 7.5 per cent convertible preference shares are being issued at par value of £1; they have been conditionally placed by stockbrokers James Capel but are subject to a 100 percent clawback facility for existing shareholders.

NHLC said that the convertible route allowed it to raise money on more favourable terms than it would have achieved by means of a straightforward rights issue. The net cost of the dividend would be lower than that of existing bank borrowings.

The issue was designed to give investors a yield higher than that earned on the ordinary shares, with the added sweetener of conversion into ordinary shares. The open offer will allow shareholders to maintain their proportionate interest in the company.

They are convertible at 167.4p, an 8 per cent premium to the closing bid price of NHLC shares on Monday. Conversion may take place on the last day of any calendar month between August 31 1988 and January 31 2000. The shares closed down 8p to 150p yesterday.

The placing and the open offer are subject to shareholders' approval at an extraordinary meeting scheduled for February 11.

# Bremner chief in surprise tactic

By Philip Coggan

**Mr James Rowland-Jones is no longer chairman of Bremner. After counting the proxy votes at Monday's extraordinary general meeting, a proposal to replace Mr Rowland-Jones and two other directors was carried by 6m to 3m votes.**

**But Mr Rowland-Jones had one more surprise for his opponents. He announced yesterday that he had stepped down at at a board meeting late on Monday afternoon and had been replaced by Mr Eric Pearce.**

**Mr Pearce was one of three directors co-opted on the board by Mr Rowland-Jones on Sunday; however, Mr Dennis McGuinness, the Glasgow stockbroker behind the moves to remove Mr Rowland-Jones, disputes that there was a quorum at Sunday's meeting and thus that the three directors have been properly appointed.**

**Mr McGuinness is already on the board; as a result of the vote two nominees of his stockbroking firm, Mr T Stewart Carswell and Mr Michael Hamilton will join him.**

**But Mr Rowland-Jones's tactics ensure that he is down not yet out. He has also requisitioned an EGM for March 24, at which he will attempt to reverse Monday's decision. Mr McGuinness said yesterday that the new board would discuss whether to hold the meeting in London, as Mr Rowland-Jones requested, or in Glasgow, where Monday's meeting was held.**

# Woolworth launches agreed bid for Tip Top Drugstores

BY MAGGIE URRY

**Tip Top Drugstores** has agreed a takeover offer from Woolworth Holdings, valuing the group at £13m. Woolworth will merge the 110 Tip Top shops with its 339-strong fast growing Superdrug chain. The directors and their families will accept the offer in respect of their holding of 8.28m shares, 71.4 per cent of the total.

Tip Top also revealed a slump in pre-tax profits in the half year to end-November from £758,000 to £225,000. Sales were 18 per cent higher at £19.8m. The previous year profits totalled £430,000 and its net assets at the end of May 1987 were worth £6.3m.

Tip Top, a chain of stores selling over-the-counter medicines, toiletries, cosmetics and non-food household items based on the US style of drug stores, went public in May 1986. The offer for sale at 160p valued Tip Top at £18.6m and was 65 times oversubscribed.

Since then Tip Top has been beset by problems, culminating in the discovery last summer that £810,000 of stock was unaccounted for which resulted in some criminal proceedings. This continued to affect the first half profits.

The group had also been hit by increased competition within its market and especially by Boots' introduction of a more aggressive pricing policy in September 1986. Costs of developing its own label range also reduced Tip Top's profits. Meanwhile Woolworth's purchase of Superdrug in April 1987 meant that the competition for new sites was fiercer.

Mr Fred Brown, chairman and managing director of Tip Top, said yesterday that because of the changes in the market, "I reluctantly concluded that we needed to amalgamate with someone." Talks began after Christmas and were concluded early yesterday morning.

Woolworth plans to convert the Tip Top stores into Superdrug outlets thus gaining economies in buying, distribution and marketing, and bringing forward Superdrug's expansion programme by a year. Tip Top's strength lies in the North of England and Scotland while Superdrug is largest in the South East. There is some duplication of stores – about 35 Superdrugs trade against Tip Tops according to a recent report by Verdict, the retail market research firm.

Superdrug achieves a higher rate of sales from its stores than Tip Top; industry estimates suggest that Tip Top's annual turnover of £160 per square foot compares with a figure for Superdrug of £270. Analysts believe that Tip Top could make a pre-tax profit of £2m in a full year under Superdrug's control.

The offer is 110p per Tip Top share in cash or loan notes with an alternative in convertible unsecured loan stock worth 105p a share which the Tip Top directors will accept. Tip Top shares, which had been buoyed by takeover rumours, fell 14p to 106p yesterday.

## Falcon Resources

**An appraisal of the oil and gas reserves of Falcon Resources, is likely to result in a write down of the book value of its assets. Falcon's accounts for the three years to December 31, 1987 are expected to be available in March.**

**On Monday, the company announced that Mr Ronnie Monk was resigning as chairman. The new management hopes that, after a substantial capital reconstruction, the shares will resume trading in "the early summer".**

# Stake in Oceana raised

**ES Securities** has bought 19.67 per cent of the shares in South African-controlled **Oceana Development Investment Trust** to raise the total stake held by itself and associates to 28.1 per cent.

The shares were sold by Ortona Corporation, which retained an option to repurchase them in certain circumstances.



Nikki Tait examines Sears' protracted courtship of Freemans

# A long wait for delivery

FIFTEEN YEARS is a long time to stalk one corporate prey. Small wonder, then, that retail giant Sears should get the timing of its £477m cash bid for mail order group Freemans spot-on.

As the 315p-a-share offer heads towards its final close this Friday, the widespread – and often regretful – feeling is that Sears has victory in sight. "It's a sad end," comments one analyst, "but the cold, hard facts are that if you've got cash in this world, it's a winner."

Freemans – publicly at least – is not convinced. Indeed, far from bowing to the inevitable and offering a belated recommendation, the mail order group has finally got together the semblance of a spirited defence. The past 10 days have seen three missives to shareholders, couched in increasingly aggressive tones.

Certainly, as stakes in Freemans break down, there is still something to play for. A key 9.2 per cent interest belongs to GUS, the mail order rival; the holder has made no public statement on the offer, but is widely expected to back the Freemans management. In addition, Freemans reckons that some 15-20 per cent of its register is in family/friendly hands. If that stays loyal – and there is no guarantee – Freemans effectively counters the 29.9 per cent holding built up by Sears.

Deduct the "dead" shareholders, and the remaining 40 per cent of Freemans shares are spread amongst a relatively small number of institutions. Sears needs half those votes to win; Freemans, a similar number to survive.

On commercial grounds alone, Freemans is far from indefensible. Even Sears, in its latest letter to shareholders, acknowledges its target's "creditable" performance in pulling the business back from its profits nadir in 1982/3. Agency recruitment has been steady; margins have improved; market share, now 14 per cent, has increased.

## SHAREHOLDERS URGED TO IGNORE MANAGEMENT

**Sears, the retail, betting and jewellery group waging a £477m bid battle for mail order group, Freemans, yesterday sent a further letter to shareholders accusing Freemans management of "narrow-mindedness" and urging shareholders to accept the offer. The bid reaches its final close on Friday, writes Nikki Tait.**

**In the letter, Sears chairman, Mr Geoffrey Maitland Smith argues that the Freemans management's approach "is amply illustrated by its apparent failure to understand that brand names are at the very heart of high street retailing and will play an increasing part in the future of home shopping".**

**"It is in the last two years that the management has lost its way," he writes, "culminating in a disastrous year of stagnating profits."**

**Yesterday, Sears said that it had raised its stake in Freemans by a further 0.39 per cent to 29.99 per cent – the limit to the amount it can buy.**

But, as Sears energetically points out, the face of mail order is changing. High street retailers generally have woken up to the opportunities of extending into this area – most dramatically, in the merger between Mr George Davis's Next and Grattan – and a new trend towards "specialogues" (tightly targeted catalogues) is in vogue. Further on, the industry has its eye on electronic home shopping.

Freemans can justly claim to have kept pace with much of this. The acquisition of fashion retail chain Warehouse, complete with designer Jeff Banks, in mid-1986 was generally applauded; largely on the back of that design input, the company expects to put out six specialogues in 1988. The "Bymail" catalogues are being franchised to US retail giant, Sears Roebuck; modest expansion of the 23-strong Warehouse chain is planned, both in the UK and in the States (where Freemans has a 30 per cent interest); there is a tie-up with Barclaycard.

But if all that goes in the right direction, Sears' argument is that its additional resources – money, products, property and certain management skills – could do rather more. On the Warehouse front, for example, it talks of doubling the chain in 18 months, against Freemans' eight stores planned for the next 12 months. Equally, the bidder maintains that the likes of Wallis, Olympus, and Miss Selfridge would produce new specialogue opportunities; that it could offer more clout on the buying side; and that its own retail network would offer some insurance against Freemans dependance on postal deliveries – something which cost it dearly when the postal strike threatened this autumn.

Those arguments alone might not sway all analysts – Sears, after all, has not always been seen as the most aggressive force in Britain's high streets and has itself been the target of bid rumours. Unfortunately for Freemans, however, the bidder's timing has been immaculate – on three counts.

Firstly, it launched the bid shortly after the stockmarket collapse, in early-December. Freemans shares had slumped to 165p ahead of the bid against a previous high of 292p.

Secondly, the market conveniently collapsed just before Christmas and Freemans was obliged to post its first defence document in the inter-Christmas/New Year period. Having allowed the holiday gap to effectively become a "dead" period, Freemans' chances of mounting a protracted defence were dealt a second blow when Sears raised its terms on the first closing date and set a final close just seventeen days on. The total bid period has been just five and a half weeks.

Thirdly, Sears opened the bidding, knowing that Freemans interim profits had been flat and that the City was cautious about the full year outcome. Freemans has now forecast £33.2m for the 12 months to January 30th, against £32.4m last time, and static earnings per share of 14.2p. That drab progress is blamed on three "special factors" – a wet June, losing £6m in sales, the postal strike threat (another £3m) and the over-ambitious plan for launching two new specialogues. And while Freemans may argue that such a sequence of events is unlikely to recur, a bid battle is scarcely the best time to remind shareholders of the vulnerability of their company to external factors.

Inevitably, then, Freemans' second line of defence rests on price. Sears rightly argues that it is offering a generous 22 times current and historic earnings. Freemans counters by suggesting that the business is well-placed to bounce back in 1988. Certainly most analysts are prepared to forecast £40m for 1988/9 – assuming no more upsets – which suggests a prospective exit multiple of 18.

True, if the bid were turned down now the Sears stake might protect the price fall. But gambling that the retail giant comes back in a year's time at a higher price – or makes the more unlikley move of selling that holding on to another rival bidder – looks a risky business in these markets. Somehow, the fifteen-year saga seems set to end.

# American Medical may sell stake in UK operations

BY PETER MARSH

**American Medical International**, a US-owned hospitals group which has expanded rapidly in Britain in recent years, may sell a minority stake in its UK operations through a stock market listing, the company said yesterday.

The possible sale of shares could raise cash to provide for a further growth in the company's activities in Britain, where it operates 13 hospitals and three psychiatric units.

Mr Hemant Shah, a healthcare industries analyst at Nomura Securities in New York, said he thought the sale of half the stake in AMI's UK operations could raise about £100m.

Mr Shah said the selling of shares could help to maintain the momentum of the company's drive in the UK.

Another reason to sell a stake in the company, according to industry observers, could be to provide funds to help the parent company in the US, which has suffered financial problems recently.

AMI said yesterday it was considering a possible sale of part of the company's UK operations and would not comment further.

The company gained revenues from its UK operations of £94m in 1986-87. Competitors in the British private hospitals business include British United Provident Association and Nuffield Nursing Homes Trust.

## SHARE STAKES

Changes in company share stakes announced over the past week include:

**Johnson Matthey:** Charter Consolidated has increased its interest from 63.55m shares (36.92 per cent on January 4) to 63.82m (37.08 per cent).

**Control Securities:** Zelva Anstalt has acquired 565,300 shares and now holds 9.57m shares (4.1 per cent). Virani UK has acquired 265,700 shares and now holds 34.06m shares (14.6 per cent). Mr N.G. Virani, chairman of the company, has a beneficial interest in Virani UK and a material interest in Zelva Anstalt.

**Era Group:** Following the subscription and rights issue, Mr M.G. Gordon and Mr de Beinger, directors, hold 3m ordinary shares (8 per cent) respectively. Mr D.G. Liewellyn, also a director, holds 2.85m preference shares (33.3 per cent).

**M M T Computing:** Mr M.J. Tilbrook, chairman, sold 155,000 shares at 110p on January 14, reducing his holding to 1.5m (14.74 per cent).

**Platon International:** Mr A.D. Vigar, chairman, on January 13 purchased 10,000 ordinary shares at 65p. His beneficial holding is now 164,207 (4.02 per cent).

# Merchants' to take over Irish co-op

BY CLAY HARRIS

MEMBERS OF **Bailieboro Co-operative**, an Irish dairy co-op based in County Cavan, voted yesterday to accept a takeover offer from **Goodman International**, privately-owned meat processor, instead of a rival bid from Killeshandra Co-operative.

Bailieboro will become part of **Merchants' Warehousing**, the listed company into which Goodman plans to inject all its non-meat interests. At the suspension price of 200p, Merchants has a market value of £12m.

At their meeting in Carrickmacros, County Monaghan, Bailieboro members voted 1,717 to 758 to accept the Goodman offer. The co-op's I£15m (£13.4m) debts will be wiped out today through a refinancing package arranged by Goodman.

## Star Computer shelves plan

**Star Computer, supplier of computers and software, has shelved its proposed flotation of Minitips UK under the Business Expansion Scheme. Mr Jack Schumann, who was to have become chairman of Minitips, has returned to his position as joint chairman and managing director of Star.**

# Lopex in £0.5m expansion

**Lopex**, marketing and communications group, has bought Displaywork, designer and supplier of point-of-sale merchandising units, for an initial £500,000. Further payments are dependent on increased profit levels to the end of 1990.

The purchase consideration will be satisfied by the issue of 321,754 new shares, just over half of which will be placed with institutions on behalf of Displaywork. Future payments may be satisfied by cash or a further issue of shares.

In the year to June 30, Displaywork recorded pre-tax profits, adjusted for non-recurring items, of £129,000 on turnover of £1.2m. Net assets at the same date were £154,000.

## COMPANY NEWS IN BRIEF

**CHLORIDE GROUP** has acquired for undisclosed cash a 60 per cent interest in Silectron, a privately owned maker of high tech uninterruptible power supplies based in Bologna, Italy.

**DOWDING & MILLS** has acquired Le Marquand Motor Rewinds for a total payment of £729,000, with an initial £573,000, satisfied by £473,000 cash and 181,818 new ordinary shares, and two further payments in January 1989 and 1990 of £78,000 each.

**INTERNATIONAL PAINT**, the coatings business of Courtaulds, has acquired Extensor, Swedish-based yacht paint company. Extensor's most significant product is an environmentally acceptable antifouling paint.

**NO PROBES**-The following deals are not being referred to the Monopolies Commission:-ICI acquisition of Stauffer Chemical; Ibstock Johnsen purchase of Price & Pierce; Norton Opax acquisition of Walton Print.

**QUARTO GROUP** has acquired Pins and Needles to add to its specialist magazine division.

**RANSOMES SIMS & Jefferies** is buying the commercial mowing and turf maintenance operations of the Steiner Corporation of Ohio, for $1.7m (£958,000) cash.

**SPICE** is acquiring Alpha Discount Spares for £2.8m, of which £800,000 cash, £1.16m unsecured convertible loan stock, and £840,000 ordinary shares. Bradford based Alpha operates automative cash and carry, distribution and wholesaling businesses. In the year to July 31 1987, sales totalled £10m and pre-tax profit £360,000. Net tangible assets £550,000.

**THEME HOLDINGS** (leisure) is buying Licensing Solutions (pub owner) for maximum £2m including £518,000 indebtedness. Consideration to be met by £150,000 cash (raised by vendor placing at 46p per share) and 1.5m shares at 50p. Further £600,000 can be paid by issue of shares at 50p dependent on profits. Theme also raising £126,000 by an issue at 46p.

**VIKING PACKAGING** is buying out its partner in the US joint venture Jordan-Viking Packaging. It is paying $250,000 for the outstanding 150,000 shares. The business is expected to achieve a monthly profit cycle in the current year.

CONTROLLING STAKE BOUGHT FROM BUGGE EIENDOM AT 445P A SHARE

## Gulliver moves into Jacksons

BY CLAY HARRIS

A PRIVATE hotels company headed by Mr James Gulliver has bought control of Jacksons Bourne End in a deal which values the shoe components and property group at £9.45m.

Select Country Hotels, Mr Gulliver and institutional shareholders said yesterday they had bought 60 per cent of Jacksons from Bugge Eiendom, the troubled Norwegian property group which had controlled the company since last February.

Any shares tendered in their planned general offer at the same price, 445p per share, will be placed by Barclays de Zoete Wedd, and Jacksons will retain its listing. The shares added 31p to 469p yesterday.

Mr Gulliver, who steps down later this year as chairman of Argyll Group, owner of the Presto and Safeway supermarket chain, will be non-executive chairman and own 10 per cent of Jacksons' shares.

Select, of which Mr Gulliver is also non-executive chairman, will hold 30 per cent of Jacksons shares. Established in 1986, it raised £9.75m through a private placement by Charterhouse Bank.

It owns four country hotels and manages four others for Business Expansion Schemes. The eventual intention is to inject these assets into Jacksons.

In addition to Mr Gulliver, three other Select directors are to join the Jacksons board. They are Mr Robin Howard, who will become managing director, Mr David Newling Ward and Mr Richard Pendrill.

For the six months to last September, Jacksons reported pre-tax profits of £201,000 on turnover of £1.6m, but took an extraordinary charge of £704,000 reflecting the fall in the value of listed investments in the subsequent market crash.

Its property holdings include an industrial estate at High Wycombe and a potential industrial and office development at Bourne End, Bucks. The shoe components activities will be retained.

Jacksons is the third quoted company to attract Mr Gulliver's attention in recent weeks. In mid-December, he bought 10 per cent of Broad Street Group and became chairman of the USM-quoted public relations company.

His management buy-in at Waverley Cameron, however, has yet to be ratified by shareholders of the Scottish stationery maker. Waverley Cameron's plan to issue shares to Sanda Investments, a private company co-owned by Mr Gulliver, is opposed by a large minority shareholder, Mr Kevin Doyle.

Although Jacksons is Mr Gulliver's single largest investment of the three, "he sees this as the passive end of his activities," Mr Howard, a former Argyll executive, said.

The 445p per share received by Bugge is identical to the price it paid last year for 72.4 per cent of Jacksons. This was subsequently reduced to 60 per cent through a placing.

## Steetley pays £26m to expand in France

By David Waller

Steetley, construction materials group, is to buy a leading French aggregate producer for FFr 256.6m (£25.7m). The Paris-based Societe Carrieres de la Meilleraie is Steetley's fifth in a series of acquisitions in France over the last year, worth a total of £50m.

La Meilleraie has sixteen quarries around Paris and is the country's largest producer of hard rock used for the construction of roads, railways, ports and other infrastructure projects. It has production capacity of 10m tonnes per annum and reserves of an estimated 250m tonnes.

Steetley said that La Meilleraie would be integrated with Garon-Bedel, the existing French subsidiary which operates 23 quarries. Estimated 1987 turnover at La Meilleraie was FFr 360m, generating pre-tax profits of FFr 30m.

## Eurotherm boosts profits 37% to £12.8m and beats forecasts

BY ANDREW HILL

Eurotherm International, the manufacturer of industrial process control equipment, yesterday reported a sharp rise in pre-tax profits for the year to October 31.

The company's profits were up 37 per cent to a record £12.8m pre-tax on turnover of £111.6m (£99.4m).

Orders for this year are already about 20 per cent up compared with the same time last year.

The group's subsidiaries in Europe and the US showed marked progress last year. SSD Corporation, which sells systems to control the speed of electric motors, increased US sales by almost 50 per cent and Eurotherm's French and Italian subsidiaries contributed over £2.5m to the profits.

In the UK, SSD profits grew by 77 per cent and the TCS group of companies, which supplies instrument and computer systems, increased sales by 42 per cent. Kineron Gauging Systems, bought last year, contributed £510,000 for the five months since acquisition.

Dr Jack Leonard, chairman and joint managing director, has toughened the company's approach to its fringe subsidiaries, promising to close or sell any which perform poorly.

In the last full year these companies incurred losses of £900,000. An extraordinary item of £550,000 has been set aside to cover potential closure costs.

"We would expect more activity in the core type of business. I think we tend to get overlooked because people focus on the less established side of the company," Dr Leonard said yesterday.

Tax rose from £3.97m to £4.9m and earnings per share, before the extraordinary item, from 19.3p to 28.4p. The final dividend is 4.25p (3.5p) making 6p (5p) for the year.

● comment

Long-regarded as a technology-led company, Eurotherm seems to be changing to a tougher, management-led approach, refocusing on its traditional product strengths. Mr Robert Biddle, former chief accountant at Siebe, the industrial holding company, is the new finance director and his experience should help Eurotherm to a more aggressive overseas acquisitions policy. The group's customer and geographical base is very wide, but its reliance on industry for its core business inevitably introduces worries about recession. Historically, Eurotherm's results lag behind economic cycles and a strong order-book so far should insure against the worst effects of any downturn this year. Yesterday's figures beat most forecasts and analysts have adjusted their expectations for the current year upwards. Even with recent hiccups, Eurotherm's pre-tax profits have grown at 20 per cent a year since 1978 and the company should make £15.5m for 1987/1988. This puts the shares on a prospective p/e of around 9.5.

## Smurfit expects I£150m profit

Jefferson Smurfit, the Irish-based packaging, printing, and financial services group with a strong interest in the US, is forecasting profits of some I£150m for the year ending January 31 1988.

This will be ahead of the directors' best expectations, and compares with £60m earned in the previous year.

Looking a stage further, the directors said the outlook for 1988 "appeared excellent" and they were budgeting for an increase in profits.

The balance sheet remained healthy with year-end debt/equity ratio expected at some 43 per cent.

This information is contained in a second interim report covering the nine months to October 31 1987, issued to show the "healthy condition" of the group despite the recent turmoil in stock markets. In the period turnover rose to £853.6m (£773.6m) and pre-tax profits to £106.56m (£85.12m). Earnings were 21.8p (8.4p) per share.

New areas acquired through Container Corporation of America in Europe (Holland, Italy and Spain) and in Latin America (Venezuela) were thriving. In the first 15 months of ownership CCA had reduced $300m of debt, or 37 per cent of the purchase price, while maintaining substantial capital expenditure and funding higher working capital brought on by volume increases.

## Ennex expands US oil interest

Ennex International, the USM-quoted gold explorer based in Dublin, is acquiring a 50.4 per cent interest in OilSearch Corporation through the issue of 4.3m shares at I50p.

OilSearch is a private oil and gas company based in Albuquerque, in which Ennex holds a 4.23 per cent stake and the option to acquire majority control.

OilSearch operates 300 wells in the US with gross average daily production of 700 barrels and 6.7m cu ft of gas. It has proven reserves of 480,000 barrels of oil and 4bn cu ft of gas.

Ennex intends to use OilSearch as an operating base

## Brent Chemicals £2m purchase

Brent Chemicals International is to extend its printed circuit board activities through the purchase of 75 per cent of Robertson Chemicals for £1.95m plus future profit-linked payments.

## Windsor Securities dips to £0.1m

FOLLOWING a year of considerable reorganisation, which included a number of acquisitions and changes in senior management, Windsor Securities (Holdings) reported pre-tax profits down from £427,000 to £120,000 in the year to September 30 1987.

The directors said the results had been restated to take into account the effects of the acquisition of S W Taylor & Co (Holdings) and Frank Bradford Holdings — on a merger accounting basis.

Although savings through accommodation and staff rationalisation would become apparent in the next financial year, the costs of the current merger and acquisition programme had had an immediate impact upon the 1987 results.

Under the re-organisation programme, the businesses of the individual broking companies have been amalgamated into one Lloyd's broking house — Windsor Insurance Brokers.

Turnover rose from £6.96m to £7.26m. Tax took £150,000 (£192,000), but there was an extraordinary credit of £404,000 to leave attributable profits of £374,000 (£235,000). Losses per share were 0.459p (0.904p earnings) before extraordinaries. The proposed final dividend is unchanged at 0.5p net for an increased total of 0.8p (0.7p).

## Carron coming to USM

BY PHILIP COGGAN

Carron Phoenix, kitchen sink manufacturer, is joining the USM via a placing which values the group at £13.3m. Hambros Bank is placing 4.05m shares, representing 36.4 per cent of the equity, at 120p each.

Carron was formed via a management buyout of the stainless steel products division of the old Falkirk-based Carron industrial group. In the year to September 1983, it made profits of £502,000 on turnover of £5.08m; its sinks business has since expanded thanks to the move into production of "designer" sinks in a silica-based material called Silquartz.

In the year to September 26 1987 Carron Phoenix made pre-tax profits of £1.4m on turnover of £15.16m; at the placing price, the shares are on a historic p/e multiple of 12.5.

## Firstland to join USM

BY HEATHER FARMBROUGH

Firstland, independent oil and gas exploration company, is seeking an introduction to the USM. The shares are currently quoted under rule 535.3.

The company's main production interests are in the US, principally in Mississippi. Proven reserves amount to 3.1m barrels of oil and gas, which have been valued at £11m or 66p a share.

Firstland's exploration interests include acreage in Australia, the Falklands and the gulf of Mexico. It reported a loss before tax of £209,000 for the year to June 30 on revenues of £1.4m, compared with a pre-tax loss of £1.6m in 1986.

The company is currently capitalised at £8.8m and will not be raising new shares. The directors hold around 40 per cent of the equity. The sponsors are CGS Securities.

## Berry unveils unit plans

Berry Trust and Northern Securities Trust, investment trusts both managed by GT, yesterday unveiled their long-awaited plans for partial unitisation.

Under the schemes, investors would be able to exchange their holdings for shares in a new investment trust, Berry Starquest, and/or units in three unit trusts managed by GT Management — GT Worldwide Special Situations Fund, GT International Income Fund and GT UK Special Situations Fund.

## BTR to buy Finnish factory

BTR, the industrial holding company, is to buy a Finnish factory which makes rubber and polyurethane roll covers used in paper machines. The acquisition, from Finland's Nokia Corporation, will add to the world-leading market share of BTR's Stowe Woodward subsidiary.

Nokia's Savio Roll Covering factory near Helsinki is the leading supplier of roll covers to the Finnish paper industry. Its products are also sold to other Scandinavian countries and to the Soviet Union.

## Unilever sells offshoots

Unilever, Anglo-Dutch food and consumer products group, is to sell its Ford & Slater companies, which are involved in the contract hire and distribution of Leyland-Daf and Mercedes-Benz commercial vehicles, to Mercantile Credit, finance house subsidiary of Barclays Bank.

Ford & Slater, which became part of Unilever's UAG subsidiary in 1973, had turnover of £85m in 1987.

In addition to its contract hire and sales activities, which include a single Mercedes-Benz car dealership at Aylesbury, Ford & Slater also owns Sheffield-based Massey Truck Engineering, which supplies purpose-built commercial vehicle bodies.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres-ponding div. | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Adscene Group | int | 1.5 | Apr 13 | - | - | 2.8 |
| Anglia TV | fin | 10 | Apr 25 | 7.5 | 14.5 | 11.25 |
| Blick | fin | 2.6 | Apr 13 | 2 | 4.2 | 2 |
| Clarke Hooper § | int | 1.2† | Feb 29 | 1 | - | 2.5 |
| Clark (Matthew) | int | 4.5 | - | 3.5 | - | 9 |
| Electron House§ | int | 2 | Apr 22 | 1.5 | - | 3.6 |
| Eurotherm | fin | 4.25 | Apr 8 | 3.5 | 6 | 5 |
| Hampson Inds | int | 0.4† | Mar 7 | 0.31* | - | 1.15* |
| Harrison Inds | int | 2.1† | Feb 29 | 1.85 | - | 5.75 |
| LPA Industries§ | fin | 1.6 | Aug 7 | 1.6 | 3 | 3 |
| Soundtracs § | fin | 1.2 | - | 1.2 | 1.9 | 1.2 |
| Tip Top Drugs | int | 0.8 | - | 0.8 | - | 2 |
| Wilding Office | fin | 1.95 | Feb 26 | - | 3.25 | - |
| Windsor Secs | fin | 0.5 | - | 0.5 | 0.8 | 0.7 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Unquoted stock. ♥Third market.

# UK COMPANY NEWS

# Calor and SHV to join forces in UK oil venture

A NEW independent UK oil company is to emerge from a deal announced yesterday in which the Calor Group and SHV, a private Dutch company, will spin off their oil interests into a separately listed company with net assets of £270m, writes Steven Butler.

SHV will also, as part of the deal, lift its stake in Calor, the bottled gas group, from 29.9 per cent to 40 per cent, and would retain at least a 34 per cent stake in the new oil company, which is referred to as Newco.

Calor said the deal was aimed directly at lifting share values because the quoted price of the company had failed to reflect the true value of its oil properties. These would now have a separate quotation in an enlarged company.

Calor's share price yesterday rose 490p to 630p following announcement of the deal.

Calor is to acquire Dyas UK, which holds the SHV portfolio of UK oil and gas interests, for an estimated £170m, with the final price to be determined by independent assessment. SHV is to be paid in shares, which would be valued at 625p each, and would lift the SHV stake to 40 per cent.

"We've been able to get quite a nice premium for them to get this control," said Mr Brian Wilmot, Calor finance director yesterday.

The Takeover Panel has agreed in principle to waive the normal requirement under takeover rules that SHV would have to make a general offer for Calor when its share reached 30 per cent.

Calor would merge Dyas with Century Power and Light, the oil and gas exploration and development company in which it holds its 58.8 per cent interest, and seek a separate stock exchange listing for the new company.

The balance of Century shares are held by Carless, Capel & Leonard. Carless said yesterday it would consider its position when more information is available.

Calor shareholders would receive one share of Newco for each Calor share held, and would retain their Calor shareholdings. SHV would further underpin the value of the Newco shares by issuing a cash offer based on the net asset value per share of Newco plus a 10 per cent premium. This was expected to be in the range of 150p per share.

Calor said that a price for Calor shares after the demerger was indicated at 365p, assuming a gross yield of 6 per cent and a forecast full-year dividend of 16p in the year to the end of March 1988. This would put the per-share value of the transactions for current shareholdings at approximately 515p.

See Lex

## Steven Butler on a move to exploit underplayed upstream assets

# North Sea interests resurface

FOR ALL the complexities of the deal in which Calor, the UK gas group, and SHV, the private Dutch company, are merging their oil interests into a separately listed company, there is a simple underlying rationale – that the market values oranges and potatoes more highly if they are crated separately.

Why this should be so may be something of a mystery, but it is a central factor behind a wave of demergers in recent years. At the time Calor was spun off from the Imperial Continental Gas group last year, a commercial logic had been put forward for keeping Calor's bottled gas business in the same stable as the smaller oil exploration and development business.

The oil side of the business would move in an opposite cycle to the gas distribution side, which would not be helped by rising fuel prices, and thus provide stability for the group.

In the end, the market evidently did not accept this logic.

"The value of the North Sea interests was effectively submerged in Calor," Mr David Gray, an oil analyst at James Capel, said yesterday.

The market, said Mr Gray, valued Calor according to its earnings potential and basically ignored the asset value of the North Sea interests. This made the company a takeover candidate for any predator who would be able to sell off these assets and has made the last year fairly tumultuous for the Calor management.

Mr David Mitchell, Calor's chief executive, moaned more than once that he could not get on with running the business for all the fuss about the future of his company.

Mr Mitchell said yesterday that the decision to merge Century Light and Power with Dyas UK, and to seek a separate listing, came after rejecting a number of other avenues; one being to develop Century within the group through acquisitions.

This, however, would have involved putting substantial resources into a company that Calor did not fully own. Carless, Capel & Leonard did not want to sell its 41 per cent stake at what Calor thought was a reasonable price, and sinking money into the upstream business would have involved a dilution of Calor earnings until any potential could be realised, possibly in the 1990s.

A simple sale of the assets would have left Calor with more cash than it needed, and a hefty tax bill.

By creating a merged group, however, Calor is giving birth to an independent oil company of real substance.

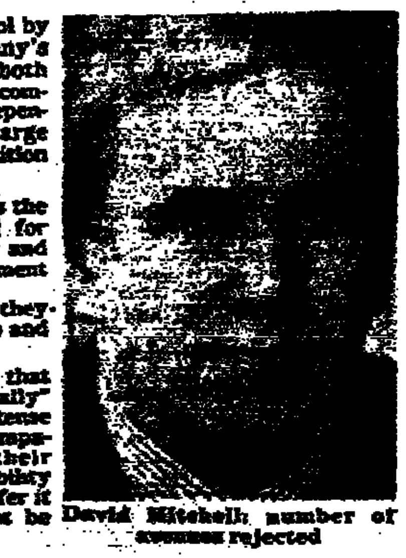
On 1987 valuations, the new company is reckoned to be smaller than Britoil, Tricentrol, or Enterprise, but bigger than Lasmo. With the future of both Britoil and Tricentrol placed in doubt by takeover bids, Newco will instantly become a key player in the sector.

Of course a price has been paid – the increased control by SHV. The Dutch company's stated intention is that both Calor and the merged oil company will retain their independence, and with such large stakes it clearly is in a position to insure that.

Mr Mitchell says SHV has the long-term horizons needed for investors in the oil sector and wants to retain its investment in a quoted company.

"They have always said they are holders of Calor shares and we accept that," he says.

Still, Mr Mitchell admits that SHV is highly "commercially" minded, and with the intense interest of the major oil companies in increasing their upstream assets, the possibility that SHV will receive an offer it cannot refuse should not be ruled out.



David Mitchell: number of avenues rejected

# Agency side boosts Matthew Clark to £2.9m at half year

BY LISA WOOD

Matthew Clark and Sons (Holdings), wines and spirits manufacturer and distributor, yesterday reported pre-tax profits of £2.93m for the six months to October 31 1987 compared with £2.62m.

Earnings per share increased from 10.1p to 12.5p with the board declaring an increased interim dividend of 4.5p (3.5p) per share.

The largest contribution came from Matthew Clark's agency business where brands include Martell – the object of a takeover battle between Seagram and Grand Metropolitan – Janneau Armagnac, Macallan malt whisky, Benedictine and Taittinger Champagne. Sales of West Coast cooler, a mixture of wine and fruit juices, improved after the heavily-promoted brand adversely affected profits last year although the market has not grown as quickly as Matthew Clark and the industry had forecast.

Mather, Matthew Clark's 52 per cent-owned British wine and sherry business, returned slightly lower profits which accounted for the reduction in profit attributable to minority interests.

Sealark Transport, the south east England distribution business, saw a considerable growth in the number of cases handled with growth also in its truck rental division.

Losses of the group's Australian company I H Baker were reduced, John Ansell, insurance broking subsidiary, returned lower profits, while Malcolm Cowen, specialist drinks supplier, had record sales and profits.

### ● comment

The poor performance of Matthew Clark's share price over the past few months has been largely attributed to concern over the company's agency for Martell, the leading UK cognac brand, ownership of which is the object of an intense takeover battle. It is likely that whichever international drinks business eventually acquires France's second largest cognac house it will want to take over the UK agency with Matthew Clark receiving little compensation because of the lengthy but fairly informal relationship between it and Martell. However Matthew Clark is not a one product company and should the agency be lost it should only take out growth for a year or so – a message which may have contributed to the slight rise in the company's share price yesterday. The set-back at Mather appears temporary after strong pressure on margins with the business looking to new growth areas such as low alcohol drinks. New product development elsewhere gives rise for some concern, with Du Kuyper Peachtree not achieving sales targets. However the rationalised Australian business is improving and now making a trading profit with specialist businesses such as Sealark Transport offering growth potential. Analysts are looking for pre-tax profits for the full year of about £7.5m giving a prspective p/e of just under 10.

# All-round advance for Harrison

**Reflecting advances by every division, a 21 per cent improvement in pre-tax profits, from £1.42m to £1.72m, was announced by Harrison Industries for the six months ended September 30 1987.**

Turnover for the Cheshire-based industrial holding company showed a 25 per cent increase to £15.08m against £12.07m.

The interim dividend is lifted from 1.85p to 2.1p and earnings per 10p share worked through at 9.3p (8p).

Mr Ken Harrison, chairman, said that the directors' aim was to maintain the strong profits and earnings increase, and on prospects, said that enquiry and order levels for all divisions were good and continuing growth was expected in the second half.

The directors were seeking further acquisitions of companies with compatible activities both in the UK and abroad.

# Second-half lift at LPA

A STRONG second half helped LPA Industries, USM-quoted industrial electrical accessories company, to pre-tax profits of £712,713 in the year to end-September 1987, an improvement of £79,795. Turnover edged ahead from £5.79m to £5.9m.

The directors said turnover was held back by the disposal of Jarneta, its troubled infra-red control devices subsidiary. Therefore no trading figures for Jarneta had been included in the account.

Although invoiced sales in the second half were almost £500,000 up on the first half, the forward order book was still in excess of £1.6m. There was cautious optimism that the forward order book could rise to over £2m, a record for the company.

A final dividend of 1.6p is proposed, making 3p for the year. Earnings per 10p share in the latest period were 6.74p (5.96p). A one-for-five scrip is proposed.

# North American boost for Clarke Hooper

**First-time contributions from last year's North American acquisitions helped Clarke Hooper, USM-quoted marketing and sales promotion consultancy, lift pre-tax profits in the six months to end-October by 35 per cent to £657,000.**

The outcome was achieved on turnover up 73 per cent from £5.04m to £8.73m. Tax accounted for £273,000 (£182,000). An interim dividend of 1.2p (1p) is to be paid from earnings per 5p share of 4.84p (4.26p).

Mr Barry Clarke, chairman, said that Joseph Potocki and Associates of California, and Marketing and Promotion Group, based in Canada, had realised all expectations.

# Hampson advances 57%

Hampson Industries reported interim pre-tax profits ahead by 57 per cent from £945,000 to £1.49m. Turnover for this holding company with interests in engineering and industrial cleaning was £18.67m for the six months to the end of September 1987, against £14.23m.

Earnings per 5p share came out at 2.4p (1.79p) and the interim payment is being increased to 0.4p against an adjusted 0.3125p.

Mr John Wardle, chairman, said that the two most recent acquisitions had started well and he continued to be pleased with the progress of three earlier ones. He added that the second half would once again be comfortably better than the first.

After tax of £566,000 (£354,000) and minorities of £3,250 (£1,030) attributable profit was £918,000, against £439,601 last time.

# Mowlem makes first US move

**John Mowlem, the British construction group, has made its first entry into the US paying $500,000 for a 70 per cent stake in Charter Builders, contract management specialist, with offices in Dallas and Atlanta.**

Mowlem which earned pre-tax profits of £30m in 1986 said the value of Charter's business was higher than the purchase price indicated as the British group had also agreed to guarantee contractors' surety bonds up to a value of $100m.

Charter specialises in the construction of high rise buildings up to $60m in value and until a management buy-out was formerly the contracting arm of Vantage Propeties.

# Holographics still in red

**Applied Holographics** ran up a further loss at the pre-tax level for the opening six months of the 1987-88 year despite achieving a sharp increase in sales.

The directors said, however, that in general prospects for new orders covered a large variety of industries which should not only benefit the company's future development but should also minimise adverse consequences such as the recent cutback in the US toy industry.

Turnover for the six months to end-September 1987 totalled £1.27m (£59,653). After taking account of cost of sales amounting to £801,000 (£103,456) gross profits totalled £470,201 (losses £43,803).

Operating expenses rose to £839,586 (£525,378) and pre-tax losses worked through at £416,396 (£440,366). Loss per 5p share emerged at 3.8p (4.1p).

# Tidying up loose ends

Two companies eager to tidy up loose ends have launched bids for outstanding preference and debt issues inherited in takeover battles.

**Norton Opax** is *offering* a total of £1.2m for four issues – two of preference shares and two of unsecured loan stock – by McCorquodale, the larger printing group it bought for £155m in November 1986.

**Avana**, the foods group taken over last year by Ranks Hovis McDougall, said it would pay a total of £2.36m for debentures and preference shares originally issued by Robertson, the jam company, which Avana bought in 1981.

# Yearlings at 9½%

The interest rate for this week's issue of local authority bonds is 9½ per cent, down ⅛ of a percentage point from last week, and compares with 10$\frac{11}{16}$ per cent a year ago. The bonds are issued at par and are redeemable on January 25 1989.

## BOARD MEETINGS

TODAY

Interims– Fleming Tech. Inv. Tst. F. Copson, Estates Prop. Inv., Norbain Elect., Kenyon Secs. Kewill Systems, Stanley Leisure.
Finals– Allied Textile, Crown TV Prods., Derby Trust, First Leisure, Lookers, Microgen, Spice

FUTURE DATES

Interims–

| | |
|---|---|
| Aerospace Engineering | Feb 3 |
| Border Television | Jan 28 |
| Estates Propoperty Inv | Jan 20 |
| Ferguson(James) | Jan 29 |
| Land Leisure | Jan 22 |
| Oceana Cons. | Jan 25 |
| Osprey Communications | Jan 28 |
| Park Food | Jan 27W |
| Webb(Joseph) | Jan 28 |
| Whinney Mackay-Lewis | Jan 21 |
| Wholesale Fittings | Jan 28 |

# UK COMPANY NEWS



## Anglia TV beats City forecasts with £12m

By Heather Farmbrough

JUST OVER a week after the launch of television's first Stock Exchange quiz programme, The Stocks and Shares Show, its producer Anglia Television announced full-year figures which exceeded market expectations.

Net advertising revenue rose 14.6 per cent – above the industry average – and helped boost pre-tax profits for the year to October 31 by 42 per cent to £12m (£8.5m), compared with City estimates of £11.5m. Turnover rose from £75.24m to £86.85m.

Mr David McCall, chief executive, attributed the strength in net advertising revenue to the recent rapid development and population growth of East Anglia.

Anglia increased programme expenditure by 20 per cent over 1987, and expects an increase of 30 per cent this year. One particular success was the Sleeping Beauty ice spectacular, which was sold for $300,000 (£169,000).

Only £1.4m of a committed investment of £11.5m has been subscribed so far to British Satellite Braodcasting (BSB).

Earnings per share were 45.34p (34.65p). A final dividend of 10p has been proposed, making a total of 14.5p for the year (11.25p).

### ● comment

East Anglia finds itself in a fortunate location. Near enough to London to be within commuting distance, far enough away to be an attractive spot for a second home. The mixed attractions of Luton and Stansted Airports have also helped the region's expansion. Thus the company admits that location has had as much to do with its increased share of advertising revenue as the efforts of its sales force, but the increase is likely to continue. Anglia is right to devote more of its resources to programme development as independent TV companies are likely to present an increasing challenge to the contractors. Assuming national advertising revenue grows at around 9 per cent this year, Anglia is expected to make £13.8m for the year, which values the shares on a prospective p/e of eight. An historic yield of 5 should limit the downside, but the rating is high enough for the sector.

STRONG OPPOSITION LEADS TO RAPID WITHDRAWAL OF £12.2M OFFER

## Multitone rejects Blick approach

BY CLAY HARRIS

Blick, bleeped fellow radio-paging group Multitone Electronics yesterday with a £12.2m bid approach, but its rival's robust reply brought a rapid end to the takeover initiative.

Blick announced its approach even though Multitone directors control more than 50 per cent of the target company's shares. Multitone immediately dismissed the envisaged bid as "unwelcome, unattractive and totally opportunistic," and Blick last night withdrew it.

The initiative, timed to coincide with the announcement of Blick's full-year figures, appears to have resulted from its growing impatience over Multitone's refusal to discuss possible co-operation.

Mr Alan Elliot, Blick chairman, said last night: "I've got nowhere by being polite."

Mr Ian Karten, his counterpart at Multitone, confirmed that he had rebuffed previous "fishing expeditions" by Mr Elliot. "We have told him each time that we are not interested," Mr Karten said. He described Blick's public announcement as "bizarre" and "extraordinary" under these circumstances.

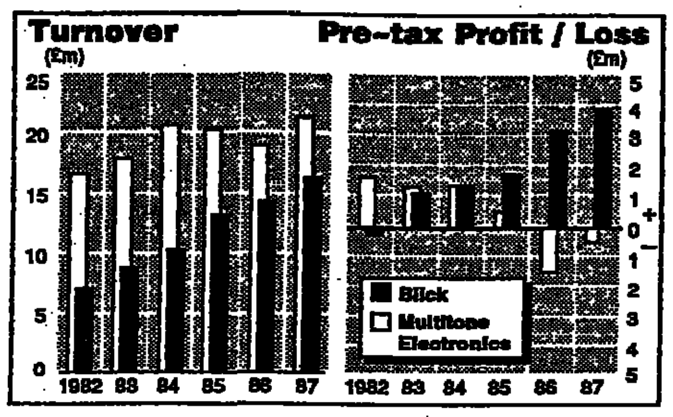
The Blick approach was rejected as an attempt "to buy cheaply the potential of Multitone," Britain's leading supplier of paging systems, particularly to National Health Service Hospitals. Nearly two thirds of the group's sales are generated outside the UK.

Research and development spending of £5m in the three years to March 1988 was already leading to a reduction in unit costs and an improvement in operating margins.

Blick said, however, that minority shareholders in Multitone were despairing of the company's prospects after two losing years, another interim pre-tax deficit of £146,000 reported last week, and only a nominal 0.1p full-year dividend.

The rejection depressed Multitone shares, which had jumped to 79p after Blick's announcement. They finished the day only 5p higher at 68p, compared with the 80.5p value of the one-for-two share offer envisaged by Blick.

The skirmish overshadowed Blick's 26.7 per cent rise in pre-tax profits to £3.91m for the year to September 30. Turnover increased by 13.6 per cent to £16.4m (£14.4m), with advances both in equipment sales and its "continuing customer base," comprising rental and maintenance income and repeat supplies.




At the year-end, it had gross future rentals receivable of £24.4m, an 18 per cent increase, on leases averaging seven years.

In time recording equipment, still Blick's largest activity, only 10 to 15 per cent of customers have made the transition so far from electromechanical to the higher-margin electronic and computerised products, Mr Elliot said.

Two acquisitions in the communications field contributed a pre-tax total of only £20,000, because of losses and relocation costs at one of them, Trusound, a maker of public address and nurse call equipment.

Earnings per share rose by 25.1 per cent to 13.79p (11.02p). A final dividend of 2.6p (2p) will make a total of 4.2p. The previous year's interim of 1.075p was paid before Blick came to the market in June 1986.

Blick is advised by Kleinwort Benson, Multitone by Arbuthnot Latham. Shearson Lehman, stockbroker to both companies, stayed on the sidelines yesterday. Kleinwort Grieveson, Blick's joint broker, picked up the baton on that side and Laurence Prust stepped in for Multitone.

## Adscene up to £0.9m midway

Adscene Group, which came to the market last July, almost doubled pre-tax profits from £440,000 to £867,000 on turnover up from £4.15m to £6.54m for the 26 weeks to November 28 1987.

The Kent-based free newspaper group declared a maiden interim dividend of 1.5p and the board anticipated a final of 2.5p. Earnings increased 75 per cent to 4.2p (2.4p) after tax of £303,000 (£158,000).

Mr Harry Lambert, chairman, said that since November trading had continued at an encouraging level and he looked forward to a good result from the second half, although it was unlikely that the company would match the percentage increases of the first 26 weeks due to seasonal factors.

Net proceeds from the flotation had been used to repay all bank and other indebtedness and to strengthen the group's liquid position. Currently the company had cash balances of over £1m and Mr Lambert expected business to improve as the company continued to obtain a larger share of an increasing market buoyed by the South-East economy.

## Wilding profits surge 60% to £2m

Wilding Office Equipment in its first final results since coming to the market in December 1986 increased pre-tax profits 60 per cent from £1.26m to £2.02m for the year to last September.

Turnover rose 39 per cent from £22.21m to £30.85m. Earnings per 10p share worked out at 11.7p (7.6p), a 54 per cent increase; and there is a final dividend of 1.95p making a total of 3.25p, as forecast at the time of flotation.

Mr Terry Wilding, chairman, said the board viewed the current year with confidence. Sales for the first three months showed an increase of 40 per cent over the corresponding period.

There was excellent potential for growth to continue and it was the company's intention to accelerate this by acquisition as and when suitable opportunities arose.

During the past year six new shops were opened plus a sales office and distribution centre at Bristol, making a total of 49 retail shops plus seven in-store concessions, with two further openings underway.

Office furniture sales had doubled and currently accounted for almost 20 per cent of turnover.

Tax amounted to £740,948 (£497,736) and interest payable and similar charges to £82,471 (£115,326).

DALKEITH HOLDINGS: Mr Clive Richards and Mr Peter Baker have acquired 52.94 per cent of the OTC-traded investment company. The duo are making an offer of 25p a share for the outstanding equity, and intend to seek a listing for the company on a recognised market.

## Sales growth lifts Soundtracs 30% to £0.69m

Soundtracs, the USM-quoted electronic audio equipment manufacturer, reported a 30 per cent expansion in taxable profits to £691,303 in the year to November 6 1987.

Mr Todd Wells, chairman, said a downturn in the US, where sales represented 18 per cent of total group turnover compared with 30 per cent in the previous year, was more than offset by growth in south east Asia and Central Europe where sales increased by some 70 per cent.

Turnover rose from £2.63m to £2.91m. After tax of £245,847 (£212,985), earnings per 5p share worked through at 4.45p (3.64p).

A final dividend of 1.2p is proposed, making 1.9p for the year. In 1986 a single dividend of 1.2p was paid.

## Substantial half-term growth for Electron

Electron House, the USM quoted electronics distributor, achieved significant growth in the six months ended November 30 1987, with turnover and profits more than doubled. The interim dividend is lifted from 1.5p to 2p.

Turnover came to £24.19m (£11.92m) and profit to £1.1m (£441,000), and the directors expressed optimism for the year.

Mr Robert Leigh, chairman, said the growth forecast for the semiconductor market was in the region of 10 per cent. With increases in new franchises in all four operating countries, he was confident that the group would exceed those expectations.

Demand for computer products was usually stronger in the second half, and he believed that would be enhanced by increasing market share and benefits from continued progress in the role as a distributor.

The semiconductor market grew steadily in 1987. Accounting for half the turnover, this had assisted the component businesses. The computer and peripherals businesses, representing about one-third of sales, benefited from a rapidly expanding market.

Earnings for the period worked through at 5.33p (1.98p). In the 1986-87 full year profit was £945,000 and the total dividend 3.6p.

Freehold property in Orpington is being sold for £950,000, generating net cash of £500,000 and a profit of some £200,000, to be credited in the second half.

## Ace Belmont profit surges to £2.84m

Ace Belmont International, North Humberside-based caravan maker, more than doubled pre-tax profits to £2.84m in the year to end-August against £1.3m previously. Turnover rose by 20 per cent from £42.26m to £50.73m.

Earnings per share were 80.9p (29.51p) after tax of £929,000 (£464,000).

Extraordinary income amounted to £28,000 (£1.3m) and extraordinary charges were £152,000 (£105,000).



# Company Notices

RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED.

(Incorporated in the Republic of South Africa)

Registration No. 01/00251/06

DIVIDEND No. 105

ON SHARE WARRANTS TO BEARER

Pursuant to the notice published on 21st December, 1987 members are informed that the rate of exchange at which payments of the above dividend are to be despatched [illegible]

| | Amount payable per share (U.K. Currency) p |
|---|---|
| Equivalent in United Kingdom currency of dividend declared | 84.5355 |
| Less: South African Non-Resident Shareholders' Tax of 15% | 12.6800 |
| AMOUNT PAYABLE WHERE U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS | 71.8555 |
| Less: United Kingdom Income Tax @ 12% on the gross dividend (See Notes 1 & 2 below) | 10.1440 |
| AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS | 61.7095 |

Coupons must be listed on forms obtainable from the London Bearer Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

99, Bishopsgate, London EC2M 3XE. 18th January, 1988

BARNATO BROTHERS LIMITED, London Secretaries

NOTES:

(1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 84.5355p.

(2) Under the Double Taxation Agreement, between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. [illegible]

NOTICE OF REDEMPTION

TO THE HOLDERS OF

Norwest Overseas Capital Corporation N.V.

12½% Notes due 1991

NOTICE IS HEREBY GIVEN, that, pursuant to the provisions of Section 5 (b) of the Definitive Note and Section 4 (b) of the Fiscal Agency Agreement among Norwest Overseas Capital Corporation N.V., Issuer, Norwest Corporation, Guarantor, and Maryland Bank International S.A., Fiscal Agent and Paying Agent, dated as of February 15, 1984, Norwest Overseas Capital Corporation N.V. has elected to exercise its option to redeem and pay, and will redeem and pay, on March 1, 1988 (the "Redemption Date") all outstanding 12½% Notes due 1991 (the "Notes").

On March 1, 1988, the Notes will become due and payable at 101% of their principal amount, together with accrued interest to the Redemption Date in the amount of [illegible] Interest on the Notes shall cease to accrue on and after March 1, 1988.

Holders of the Notes should surrender the Notes together with all coupons appertaining thereto [illegible] at the locations indicated below.

For Bearer Notes the principal Paying Agent is:

Maryland Bank International, S.A. [illegible] Luxembourg

For Bearer Notes the subpaying Agents are:

Citibank, N.A. London; Citibank, N.A. Zurich; Citibank, N.A. Brussels; Citibank, N.A. Frankfurt am Main

For Registered Notes the Paying Agents are:

Norwest Trust Company, New York, New York, N.Y., U.S.A.; Citibank, N.A. New York, N.Y., U.S.A.

The method of delivery of the Notes is at the option and risk of the holder.

It is not necessary to sign the Note or complete the reverse of the Note unless payment is to the made to other than the registered holder, in which case the assignment of transfer on the reverse of the Note must be properly completed.

Dated: January 18, 1988

NORWEST OVERSEAS CAPITAL CORPORATION N.V.

By: Maryland Bank International S.A. Luxembourg, As Fiscal Agent

BRISA AUTO-ESTRADAS DE PORTUGAL S.A.R.L.

Emprunt de EUA 15.000.000.- 8 3/4 % - 1974/1989

We inform holders of obligations that the 6th February 1988 redemption for the amount of EUA 1.500.000.- has been carried out by drawing lots. The lots drawn on 8th January 1988 in the presence of Me Jeanne HOUSSE, Public Officer, Luxembourg, for 1 500 obligations of EUA 1.000.- each which carry the numbers: [illegible]

inclusive, taking account of numbers already drawn for preceding instalments, will be reimbursed at par, with coupons due 6th February 1989 and ulterior coupons attached, from 6th February 1988, date at which they cease to accrue interest.

These obligations will be redeemable and interest to 6th February 1988 paid at the following banks:

CREDIT LYONNAIS, Luxembourg - CREDIT LYONNAIS, Paris - KREDIETBANK S.A. LUXEMBOURGEOISE, Luxembourg - COMMERZBANK A.G., Frankfurt am Main - BANQUE BRUXELLES LAMBERT S.A., Bruxelles - AMSTERDAM - ROTTERDAM BANK N.V., Amsterdam.

We recall that the following obligations from earlier drawings have not yet been presented for redemption: [illegible]

The amount remaining in circulation following this 14th redemption is: EUA 1.500.000.-

THE FISCAL AGENT

CREDIT LYONNAIS LUXEMBOURG

WEST RAND CONSOLIDATED MINES LIMITED

(Incorporated in the Republic of South Africa)

Company Registration No. 01/01618/06

COUPON NO. 112

(DIVIDEND NO. 112)

HOLDERS OF SHARE WARRANTS TO BEARER are informed that they will, on or after 29 January 1988 be paid [illegible] per share [illegible] South African non-resident shareholders' tax of 15% against surrender of Coupon No. 112. Coupons must be deposited for FOUR CLEAR DAYS for inspection before payment will be made:

In London at Gencor (U.K.) Limited, 30 Ely Place, London, EC1N 6UA

In Paris at Credit du Nord, [illegible]

In Basle at Swiss Bank Corporation

In Zurich at Credit Suisse

Coupons belonging to holders resident in Great Britain and Northern Ireland will be paid as follows:-

| | Pence |
|---|---|
| Amount of dividend after deduction of South African non-resident shareholders' tax of 15% | 4.79792 |
| Less United Kingdom Income Tax of 12% on the Gross Amount of the dividend of 5.64461p | 0.67735 |
| | 4.12057 |

Listing forms can be obtained from the office of the London Secretaries.

per pro. GENCOR (U.K.) LIMITED, London Secretaries, L.J.BAINES

20 January 1988

NOTE: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. [illegible]

## Clubs

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## Personal

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ALCAN AUSTRALIA LIMITED

U.S. $75,000,000

Floating Rate Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period 19th January 1988 to 19th July 1988 has been fixed at 7.5125 per cent per annum.

On 19th July 1988, interest of U.S. $384.57 per U.S. $10,000 nominal amount of the Notes, will be due against Coupon No. 13.

SWISS BANK CORPORATION INTERNATIONAL LIMITED

Reference Agent

# London Property



## Motor Cars



## Holidays & Travel



## Legal Notices

TO THE HOLDERS OF SPECTRA-PHYSICS INTERNATIONAL FINANCE N.V. 8% CONVERTIBLE SUBORDINATED GUARANTEED DEBENTURES DUE 1994

NOTICE IS HEREBY GIVEN that on August 3, 1987 Spectra-Physics International Finance N.V. ("Spectra N.V."), Spectra-Physics, Inc. ("Spectra"), Bank of America, National Trust and Savings Association, as Trustee (the "Trustee"), and Sunshine Acquisition Corp. (Delaware) ("Sunshine") executed a Supplemental Indenture to the Indenture, dated as of December 15, 1979 (the "Indenture"), among Spectra N.V., Spectra and the Trustee. On August 5, 1987 Spectra was merged with and into Sunshine (the "Merger") and Sunshine changed its name to Spectra-Physics, Inc. All of the outstanding common stock of Sunshine is owned by CIBA-GEIGY Corporation or its affiliates. As a result of the Merger, under the terms of the Indenture, each $1,000 principal amount of Debentures, which was convertible immediately prior to the Merger into 23.38 shares of Spectra, is now convertible into U.S.$853.80 in cash.

Michael R. Gaulke, Managing Director, Spectra-Physics International Finance N.V

# COMMODITIES AND AGRICULTURE

## Kuala Lumpur plans cocoa contract

BY WONG SULONG IN KUALA LUMPUR

THE KUALA Lumpur Commodities Exchange has drawn up a cocoa futures contract which it hopes to launch later in the year. It will be the sixth contract to be introduced on the exchange, the others being for crude palm oil, palm kernel oil, RSS No 1 rubber, SMR 20 rubber and tin.

"There is a lot of interest among Malaysian growers and cocoa traders on the proposed contract, and some want the launch as early as March, although for practical reasons, the contract is likely to be introduced in the second half of the year," said an exchange official.

Malaysia is currently the world's fourth largest cocoa producer, after the Ivory Coast, Brazil and China, with production estimated at 150,000 tonnes last year.

Under the terms of the contract cocoa beans from Malaysian and Papua New Guinea will be delivered at par, but beans from Indonesia, the Philippines and Thailand will be at a discount of US$45 a tonne.

The discount was written into the contract because traders felt the flavour of beans from those countries was not as good as that of Malaysian cocoa, which itself is being traded at a discount to African and Brazilian cocoa in London and New York for the same reason.

The KLCE official said the currency for the cocoa contract had not been finalised, with some traders favouring Malaysian ringgits, some US dollars and some sterling.

● The exchange's crude palm oil contract hit a record trading level last week, buoyed by strong buying interest.

Last Friday traded volume surged to 2,127 lots of 25 tonnes each. Crude palm oil prices breached the 1,200 ringgit (£265) a tonne mark at the start of the month, compared with 750 ringgit a year ago, and is poised to break the 1,300 ringgit level in anticipation of lower Malaysian palm oil output for January and February.

## Irish beef 'baron' wins fight for co-op

By Kieran Cooke in Dublin

**WHAT HAS been billed as a David and Goliath tussle between big agribusiness and small farmers in the Irish Republic ended last night with farmers in the north-east of the country voting to allow Goodman International the EEC's largest meat processing and exporting company, to take over their local Bailieboro Co-operative.**

**The decision marks the first takeover of an Irish co-operative by private interests and there are fears in some quarters that the structure of the country's agricultural sector could now change as big business moves in.**

**The Goodman takeover also marks the company's diversification into dairy products, a sector in the Republic which until now has been dominated by the co-operatives.**

**The loser in the Bailieboro takeover battle was another co-operative, Killeshandra. In an often stormy and vitriolic campaign both sides made unprecedented radio, TV and press pleas to the 4,500 Bailieboro shareholders and spent considerable time doorstepping farmers.**

**Bailieboro ran up debts estimated at Ir £15m after a feta cheese making operation ran into difficulties in 1985. Goodman said it would refinance the Bailieboro debt, guarantee farmers minimum milk prices of 92 Irish pence per gallon and give farmers access to Goodman markets in the EEC and the Middle East.**

**The company is believed to have paid Ir £10m for Bailieboro.**

**In a last minute move, Goodman also offered Bailieboro farmers shares in its quoted subsidiary, Merchants Warehousing. Goodman says it will use Merchants Warehousing to create a meat, grain and milk business conglomerate with annual sales of Ir £100m.**

**Killeshandra offered continued farmer control and what it described as the best milk prices in the area. The Irish Co-operatives Organisation Society and farmers' bodies had lobbied against the Goodman takeover.**

**Goodman's chief executive Mr Larry Goodman, known in Ireland as the Beef Baron, is one of the country's leading tycoons. A reclusive figure, he started his commercial life trading offals as a teenager. He now controls more than 80 companies and has five meat processing plants in Britain.**

## India set to import grain after drought

BY JOHN ELLIOTT IN NEW DELHI

INDIA EXPECTS to have to import food grains during the next two or three months to supplement its drought-reduced 1987-88 harvest.

The first import orders since 1984 are likely to be placed soon for up to 3m tonnes of wheat as the country tries to bolster its total grain buffer stocks. These have already shrunk to 15m tonnes from a peak of 23m tonnes last July.

The Government now estimates that the 1987-88 crops will total 135m-140m tonnes, only 10m to 15m tonnes below target. Although the country has suffered the worst drought in living memory record production is expected from the coming winter crop, known as the "rabi", which is the main source of wheat. That would help to offset some of the food grain losses incurred in last autumn's poor karif crop, which produces most of the country's rice. Oil seeds production has also improved, but cotton output is down.

India is proud of its record as a country basically self-sufficient in food grains and Mr T.S. Broca, chairman of the Food Corporation of India, said last Friday that he did not expect to have to import rice.

### Buffer stock

But the Government is believed to be preparing to buy abroad to boost its wheat buffer stock, which now amounts to 9m tonnes and is likely to be down to 5m tonnes by the April harvest season, because it is being used partly as a substitute for rice.

Whether imports of more than 3m tonnes are needed will depend on the size of the harvest. In 1984, 550,000 tonnes of rice and 1.8m tonnes of wheat were imported.

A good rabi crop will not be sufficient to offset the overall economic impact of last year's disastrous monsoon failure, which affected nearly a third of the country and 290m people.

Public spending has risen sharply, inflation is approaching 12 per cent, and there are severe problems in the dry western states of Rajasthan and Gujarat.

The effects are far less severe, however, than in the previous serious droughts of 1979 and 1965 and there has been no general shortage of food.

Following the drought, efforts are to be made to speed up the coverage of irrigated land area beyond the present 30 per cent and to improve organised water usage in the remaining dry land farming areas. Increased research is planned into types of seeds which are less susceptible to variations in rainfall.

The Planning Commission, in a mid-term review of the country's 1985-90 five year plan, last week estimated that agricultural output must rise to 175m tonnes of food grains and 16m tonnes of oilseeds by 1990-91 if the country is to meet its overall economic targets. It warned that there would be a shortfall of 2m to 2.5m tonnes on the foodgrain figure if expansion of irrigation was not speeded up.

The current optimism about the rabi crop is based on good rainfalls since October in central and southern India. Irrigation systems based on canals and tubewells, plus surface and underground water, are expected to make up for poor rainfall in areas such as the important northern agricultural states of Punjab, Haryana and parts of Uttar Pradesh.

Production of between 67m and 70m tonnes of rabi foodgrains is being forecast, although this has not yet been announced officially. Some international agencies with observers in New Delhi believe the total could be as low as 61m tonnes, but this is discounted by the Government, which is worried that low forecasts could encourage hoarding.

The precise figure will depend on the amount of winter rains later this month in the northern agricultural states. Although less than a 76m-tonne original target, this would be considerably higher than last year's rabi output, now estimated to have been 62.5m tonnes, according to revised figures published last Friday by the Ministries of Food and Agriculture's economic directorate.

The recent karif crop is now thought by the Government to have yielded between 70m and 73m tonnes, considerably less than the 89m tonnes produced in 1983-84 and the 81m to 85m tonnes achieved in each of the following three years.

Together, an expected rabi crop of 67m to 70m tonnes following the 70m to 73m tonnes of the karif would produce foodgrains totalling between 137m and 143m tonnes, which Ministry of Agriculture forecasters are rounding down to estimates of 135m-140m tonnes.

Ministry of Food figures suggest that this would include 45m to 50m tonnes of wheat, 55m tonnes of rice, 22m to 23m tonnes of coarse grains such as maize and sorghum, and nearly 12m tonnes of pulses (lentils).

### Oil seeds

Low oil seed production from groundnuts has been partly offset by a sharp increase in production of rape seed mustard and sunflowers, helped by sunflower seed imports from the Soviet Union. Farmers have switched to the mustard and sunflower crops because of high prices. The Government estimates that 1987-88 oil seed production is likely now to be only slightly lower than the poor total of 11.3m tonnes produced last year.

Cotton production is expected to total 6.5m to 6.7m bales, compared with 7m bales last year and 8.6m in 1985-86.

## Malaysia warned about palm oil 'profiteering'

BY WONG SULONG IN KUALA LUMPUR

INDIA HAS warned Malaysia that it would switch to Europe for cheaper sources of edible oils if the price of palm oil continued to surge.

The warning was delivered by Mr Narain Tiwari, the Indian Finance and Commerce Minister, who has just ended a visit to Southeast Asia.

"Our adversity should not lead to profiteering," he told a meeting of Malaysian and Singapore palm oil traders, in reference to the prolonged drought in India last year which has been a major factor in pushing up palm oil prices.

Crude palm oil is currently being traded on the Kuala Lumpur Commodity Exchange at around 1,250 ringgit a tonne, having registered a 70 per cent increase during the past 12 months.

In response to Mr Tiwari's warning, Dr Lim Keng Yaik, the Malaysian Minister of Primary Industries, yesterday suggested that India should consider a long term palm oil contract with Malaysia to ensure supply at reasonable prices. Initially, he said, India could cover 30 per cent of its palm oil needs under the proposed contract, details of which are being worked out by a committee headed by Mr Raja Alias, head of the Federal Land Development Authority, the biggest single palm oil producer.

In a normal year Indian buys between 1.2m and 1.3m tonnes of edible oils for its huge population. But because of the drought its imports last year were estimated at 2m tonnes.

Indian trade officials say the country's purchases of Malaysian palm oil exceeded 1m tonnes last year, which meant that India alone bought more than a quarter of Malaysian exports.

Traders say that, for a while, New Delhi authorities managed to cover up the effects of the drought. But when its consequences were appreciated in the final quarter of last year, palm oil prices shot up with a vengeance.

Dr Lim said that, apart from the Indian drought, Malaysian palm oil exports last year fell by 10 per cent to 4.1m tonnes, thereby aggravating the supply-demand situation. The lower exports were due to lower production cause by reduced fertiliser inputs.

Dr Lim said that Malaysia was trying its best to buy more Indian goods and services to reduce the trade imbalance, which is strongly in Malaysia's favour. But he pointed out that Malaysia had only 16m people so its purchasing power was limited.

He expected palm oil prices to remain firm during the first quarter of 1988, because of the tight supply situation.

## Malaysia has no plans to join agreement

MALAYSIA HAS no immediate plans to join the International Cocoa Organisation, writes **Wong Sulong**.

"At this juncture, we feel membership would work to our disadvantage," Dr Lim Keng Yaik, the Malaysian Primary Industries Minister, commented following last week's ICCO meeting, where non-ICCO producers were called on to join the agreement.

The meeting also decided that consumer members of the organisation should not buy the commodity from non-member producers for a period of six months.

"We fear as soon as we join ICCO, we will be asked to limit our production when we still have a lot of potential to expand. We would also be at a disadvantage because the Lomé Convention favours the African countries in terms of market access to the European Community," Dr Lim explained.

Malaysian officials said Malaysia was already contributing to the ICCO buffer stock fund, because all cocoa exports to consumer members attracted a levy which went towards the fund.

## Weather hits world crops

BY DAVID BLACKWELL

THE SOVIET Union will import 20m tonnes of wheat in the current season, compared with 16m tonnes for 1986/87, according to the Economist Intelligence Unit.

In its report on the 1988 outlook for food, feedstuffs and beverages, the unit says that Soviet leader Mr Mikhail Gorbachev's "good start" in agriculture owed more to his statisticians than the collective farms. The Soviet crop is measured before drying; for 1987 it was wet and much of it is unsuitable for food use.

Bad weather elsewhere in the world will also lead to rising demand for imported wheat and cuts in the amount available for export, says the report.

In addition to drought in China, floods in Bangladesh and rains in Europe at harvest time, wheat acreages are down in the US, Canada and Australia.

The scene is set for sharply higher prices for good quality bread–making wheat, the report predicts.

The bad weather will also cut world rice output by 3 per cent, and international rice prices will be about 15 per cent higher this year.

### Greenhouse effect

The report suggests that the bad weather has not been a freak occurrence, arguing that semi-tropical areas could become more arid because of the greenhouse effect of rising atmospheric carbon dioxide.

The northern hemisphere's climate was likely to be more erratic as a result of a tug of war between the greenhouse effect, which lifts temperatures, and air pollution, which pulls them down.

"Since the world can carry 5bn people only because agriculture is putting more non–renewable energy in than it takes out as food energy, any long–term weather-related decline in yields spells catastrophe," says the report.

It is optimistic about the prospects of genetic engineering raising crop yields – but points to the danger that the research will be along lines determined by the needs of rich countries.

Urging that more attention be given to improving Third World crops, the report points out that "adapting the potato to the needs of the crisp manufacturer is not going to help Peru."

*World Commodity Outlook 1988: Food, Feedstuffs & Beverages. £95. Economist Intelligence Unit, 40 Duke Str, London W1A 1DW.*

## Swiss bank sees dull year for commodities

BY JOHN WICKS IN ZURICH

WORLD COMMODITY prices are unlikely to show any marked increase this year, according to a study published by the Union Bank of Switzerland.

The bank believes that the stock-market crash and the fall of the dollar will weaken the economies of most industrialised countries. This will reduce inflationary fears which might have boosted commodities.

With slower growth in demand for commodities than 1987, the UBS study points out that the last months have seen upward adjustments in production schedules and plans to expand capacities on the part of suppliers in various sectors.

All in all, it forecasts "only a slight average price increase" during 1988 for non-fuel raw materials.

In the case of non-ferrous metals, where prices rose sharply last year, there could be a downward trend again. Decreases are also considered likely for such agricultural raw materials as rubber and cotton.

A slight increase is expected, however, for the price of cereals. Increased destocking is awaited for the 1987/88 season, although stockpiles should still be equal to about one-quarter of annual world consumption by June. The reason for the anticipated price increase is given as the effect of crop acreage reductions in the US.

Elsewhere, modest price increases are foreseen for cocoa and sugar after the drastic decline of the price level last year.

## WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

**ANTIMONY:** European free market 99.6 per cent, $ per tonne, in warehouse, 2,290-2,330 (2,300-2,340).

**BISMUTH:** European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 4.40-4.55 (4.40-4.60).

**CADMIUM:** European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 2.98-3.05 (3.08-3.13), sticks 3.00-3.08 (3.08-3.13).

**COBALT:** European free market, 99.5 per cent, $ per lb, in warehouse, 7.10-7.30 (7.10-7.25).

**MERCURY:** European free market, min 99.99 per cent, $ per 76 lb flask, in warehouse, 303-310 (300-310).

**MOLYBDENUM:** European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.15-3.20 (3.05-3.10).

**SELENIUM:** European free market, min 99.5 per cent, $ per lb, in warehouse, 9.05-9.30 (9.15-9.35).

**TUNGSTEN ORE:** European free market, standard min 65 per cent, $ per tonne unit (10 kgs) $WO_3$, cif, 49-58 (same).

**VANADIUM:** European free market, min 98 per cent $V_2O_5$, cif, 2.80-2.90 (same).

**URANIUM:** Nuexco exchange value, $ per lb $U_3O_8$, 16.65 (same).

# WORLD COMMODITIES PRICES

## LONDON MARKETS

BOTH THE coffee and cocoa markets virtually ignored yesterday's moves by their commodity organisations to bolster prices. Following last week's agreement by the International Cocoa Organisation (ICCO), the buffer stock manager returned to the market for the first time since June last year, buying 4,000 tonnes of cocoa at prices in line with current physical rates. But the market was geared up for his return, and prices were almost unchanged. However, buffer stock buying could delay any significant downturn in prices in the near-term, dealers said. The International Coffee Organisation cut its total export quota by 1m bags to 54.5m bags, but the market had already been discounted, dealers said. Only speculators who do not watch coffee regularly were willing to buy on the news. The cut was triggered by the fact that the ICO indicator price was 114.74 cents a lb for January 18 – well below the 120 cents a lb level which the organisation is trying to defend.

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $15.80-5.90y | +0.275 |
| Brent Blend | $17.00-7.10y | +0.25 |
| W.T.I. (1 pm est) | $17.45-7.50y | +0.40 |

| Oil products (NWE prompt delivery per tonne CIF) | | + or - |
|---|---|---|
| Premium Gasoline | $157-160 | |
| Gas Oil | $145-147 | +1.5 |
| Heavy Fuel Oil | $71-73 | |
| Naphtha | $147-150 | +2.0 |
| Petroleum Argus Estimates | | |

| Other | | + or - |
|---|---|---|
| Gold (per troy oz)♦ | $477.25 | +2.00 |
| Silver (per troy oz)♦ | 672c | +3 |
| Platinum (per troy oz) | $482.50 | +4.50 |
| Palladium (per troy oz) | $123.75 | +0.50 |
| Aluminium (free market) | $2065 | -45 |
| Copper (US Producer) | 130-134c | -4 |
| Lead (US Producer) | 40c | |
| Nickel (free market) | 350c | -5 |
| Tin (European free market) | £3910 | -20 |
| Tin (Kuala Lumpur market) | 17.39r | |
| Tin (New York) | 319.5c | -2.0 |
| Zinc (Euro. Prod. Price) | $850-900 | |
| Zinc (US Prime Western) | 44.25c | |
| Cattle (live weight)† | 104.96p | [illegible] |
| Sheep (dead weight)† | 136.06p | [illegible] |
| Pigs (live weight)† | 83.26p | [illegible] |
| London daily sugar (raw) | $242.00w | -3.00 |
| London daily sugar (white) | $247.50w | -1.50 |
| Tate and Lyle export price | £244.50 | -2.00 |
| Barley (English feed) | £110.00 | |
| Maize (US No. 3 yellow) | £135.00 | |
| Wheat (US Dark Northern) | £98.75u | +0.75 |
| Rubber (spot)♥ | 64.00p | -0.50 |
| Rubber (Feb) ♥ | 67.75p | -0.50 |
| Rubber (Mar) ♥ | 67.50p | -0.50 |
| Rubber (KL RSS No 1 Feb) | 280.50m | -1.50 |
| Coconut oil (Philippines)§ | $540.00v | -30.00 |
| Palm Oil (Malaysian)§ | $490.00 | -15.00 |
| Copra (Philippines)§ | $360.00 | -10.00 |
| Soyabeans (US) | £158.00 | -0.50 |
| Cotton "A" Index | 72.00c | -0.70 |
| Woottops (64s Super) | 503p | +15 |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. u-Jan/Feb. z-Jan/Mar. y-Feb. v-Apr/May † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam. ♦ Bullion market close. m-Malaysian/Singapore cents/kg

**COCOA £/tonne**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 1180 | 1159 | 1185 | 1154 |
| May | 1181 | 1182 | 1186 | 1175 |
| Jly | 1199 | 1202 | 1205 | 1194 |
| Sep | 1216 | 1220 | 1223 | 1213 |
| Dec | 1240 | 1243 | 1245 | 1236 |
| Mar | 1263 | 1264 | 1267 | 1258 |
| May | 1283 | 1283 | 1283 | 1281 |

Turnover:3097 (4665) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for January 18: 1442.69 (1427.08) .10 day average for January 19: 1436.96 (1430.07).

**COFFEE £/tonne**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 1207 | 1215 | 1222 | 1206 |
| Mar | 1237 | 1246 | 1257 | 1236 |
| May | 1262 | 1268 | 1275 | 1257 |
| Jly | 1285 | 1290 | 1296 | 1278 |
| Sep | 1309 | 1305 | 1314 | 1300 |
| Nov | 1325 | 1330 | 1333 | 1330 |
| Jan | 1340 | 1348 | 1348 | 1342 |

Turnover: 4477 (3184) lots of 5 tonnes
ICO indicator prices (US cents per pound) for January 18: Comp. daily 1979 115.42 (114.78); 15 day average 114.74 (114.73).

**SUGAR $ per tonne**

| Raw | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 227.80 | 212.80 | 228.60 | 211.40 |
| May | 222.00 | 210.80 | 223.20 | 209.80 |
| Aug | 219.40 | 209.00 | 221.00 | 207.20 |
| Oct | 216.40 | 207.60 | 221.60 | 206.40 |
| Dec | 219.00 | 208.40 | 219.00 | 208.00 |
| Mar | 222.00 | 210.00 | | |
| May | 220.00 | 213.00 | | |

| White | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 245.00* | 249.00 | 260.00 | 247.50 |
| May | 257.00* | 250.50 | 262.00 | 249.50 |
| Aug | 254.00* | 254.00 | 263.00 | 251.50 |
| Oct | 249.00* | 254.00 | 265.00 | 251.50 |
| Dec | 253.00* | 258.50 | | |
| Mar | 253.00* | 258.50 | 259.00 | |
| May | 253.00* | 283.50 | | |

* Only buyer prices available.
Turnover: Raw 9080 (2445) lots of 50 tonnes; White 1949 (1311).
Paris- White (FFr per tonne): Mar 1440, May 1439, Aug 1460, Oct 1460, Dec 1470, Mar 1500.

**GAS OIL $/tonne**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 146.75 | 145.25 | 147.00 | 145.50 |
| Mar | 144.75 | 143.25 | 145.00 | 143.75 |
| Apr | 141.25 | 140.00 | 141.75 | 140.50 |
| May | 139.50 | 137.50 | 138.75 | 138.50 |
| Jun | 140.00 | 138.75 | 140.00 | |
| Jul | 140.00 | | 140.00 | |

Turnover: 3165 (2848) lots of 100 tonnes

**GRAINS £/tonne**

| Wheat | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 110.40 | 111.25 | 110.85 | 110.25 |
| Mar | 111.10 | 111.75 | 111.35 | 110.85 |
| May | 113.45 | 114.00 | 113.75 | 113.10 |
| Jly | 115.55 | 116.25 | 115.85 | |
| Sep | 102.15 | 102.50 | 102.25 | 102.15 |
| Nov | 104.25 | 104.50 | 104.35 | 104.25 |
| Jan | 107.05 | 107.30 | 107.05 | |

| Barley | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 105.50 | 105.45 | 105.60 | 105.60 |
| Mar | 107.10 | 107.95 | 107.20 | 107.10 |
| May | 108.40 | 108.90 | 108.40 | |
| Sep | 97.25 | 97.40 | 97.25 | |
| Nov | 100.10 | 100.00 | 100.10 | 99.85 |
| Jan | 102.25 | 102.40 | 102.25 | |

Turnover: Wheat 267 (203) , Barley 52 (148) lots of 100 tonnes. EL-3

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| Aluminium, 99.7% purity ($ per tonne) | | | | | | Ring turnover 500 tonne |
| Cash | 2045-55 | 2100-20 | | 2080-5 | | |
| 3 months | 1925-35 | 1935-55 | | 1925-35 | 1925-45 | 3,035 lots |
| Aluminium,99.5% purity (£ per tonne) | | | | | | Ring turnover 27,825 tonne |
| Cash | 1148-52 | 1173-5 | | 1154-6 | | |
| 3 months | 1073-4 | 1089-90 | 1086/1065 | 1075-6 | 1073-4 | 49,866 lots |
| Copper, Grade A (£ per tonne) | | | | | | Ring turnover 38,505 tonne |
| Cash | 1457-62 | 1515-20 | 1480 | 1479-80 | | |
| 3 months | 1348.5-49 | 1380-1 | 1380/1345 | 1365-6 | 1358-7 | 77,561 lots |
| Copper, Standard (£ per tonne) | | | | | | Ring turnover 0 tonne |
| Cash | 1400-10 | 1440-60 | | 1415-30 | | |
| 3 months | 1330-1 | 1340-60 | | 1325-30 | | 41 lots |
| Silver (US cents/fine ounce) | | | | | | Ring turnover 30,000 ozs |
| Cash | 668-72 | 665-9 | 666/665 | 665-9 | | |
| 3 months | 680-4 | 677-80 | | 678-80 | 685-90 | 713 lots |
| Lead (£ per tonne) | | | | | | Ring turnover 7,450 tonne |
| Cash | 364-6 | 368-70 | 366/367 | 367-7.5 | | |
| 3 months | 346-7 | 350.5-51 | 351/345 | 349.5-50 | 348-7 | 13,327 lots |
| Nickel (£ per tonne) | | | | | | Ring turnover 1,656 tonne |
| Cash | 4350-70 | 4410-20 | 4390 | 4390-400 | | |
| 3 months | 4095-105 | 4155-60 | 4110/4080 | 4085-90 | 4110-30 | 9,775 lots |
| Zinc (£ per tonne) | | | | | | Ring turnover 4,800 tonne |
| Cash | 490-7 | 489-501 | | 496-8 | | |
| 3 months | 498.5-99 | 501-2 | 502/498 | 501-1.5 | 497-9 | 13,189 lots |

**POTATOES £/tonne**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 99.00 | 98.50 | 97.00 | |
| Mar | 86.00 | 88.00 | 87.00 | |
| Apr | 153.00 | 152.50 | 153.00 | 151.50 |
| May | 167.00 | 167.20 | 167.30 | 165.50 |
| Nov | 90.50 | 89.00 | | |
| Feb | 98.00 | 97.50 | 96.00 | 95.00 |

Turnover: 157 (428) lots of 100 tonnes.

**SOYABEAN MEAL £/tonne**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 129.80 | 130.70 | 130.00 | 128.50 |
| Apr | 122.50 | 122.60 | 122.00 | |
| Jun | 120.00 | 121.50 | 121.00 | |
| Aug | 124.00 | 123.00 | 123.00 | |
| Oct | 126.00 | 125.00 | | |
| Dec | 128.00 | 128.00 | | |

Turnover: 425 (78) lots of 100 tonnes.

**FREIGHT FUTURES £/index point**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 1414.0 | 1419.5 | 1425.0 | 1414.0 |
| Apr | 1470.0 | 1490.0 | 1485.0 | 1470.0 |
| Jly | 1332.5 | 1324.0 | 1350.0 | 1332.5 |
| Oct | 1395.0 | 1395.0 | 1394.5 | 1361.0 |
| BFI | 1390.5 | 1385.5 | 1390.5 | |

Turnover: 309 (168)

**JUTE**
January/February c and f Dundee BTC $585, BWC $555, BTD $490, BWD $480; c and f Antwerp BTC $540, BWC $530, BWD $475, BTD $485.

**COTTON**
Liverpool - Spot and shipment sales for the week ending January 15 amounted to 784 tonnes against 345 tonnes in the previous week. Moderate trading occurred with support for American, West African, Russian, Sudanese, Egyptian, Israeli and Colombian growths.

**LONDON BULLION MARKET**

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 477-477½ | 268¼-268¾ |
| Opening | 477¼-477¾ | 268¾-269 |
| Morning fix | 476.50 | 268.773 |
| Afternoon fix | 477.10 | 269.082 |
| Day's high | 477¾-478 | |
| Day's low | 476-476½ | |

| Coins | $ price | £ equivalent |
|---|---|---|
| US Eagle | 491-496 | 276½-280 |
| Maple leaf | 491-496 | 276½-280 |
| Britannia | 491-496 | 276½-280 |
| Krugerrand | 478-479 | 269-270 |
| 1/2 Krug | 247-256 | 139-144 |
| 1/4 Krug | 125-135 | 70½-74¾ |
| 1/10 Angel | 495-500 | 278½-281½ |
| Angel | 50-56 | 28-31 |
| New Sov. | 112-113 | 63-63¾ |
| Old Sov. | 112-113½ | 63-64 |
| Noble Plat | 507¾-515¾ | 285¾-289½ |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 378.15 | 670.05 |
| 3 months | 386.40 | 681.90 |
| 6 months | 395.05 | 694.10 |
| 12 months | 414.15 | 722.10 |

**LONDON METAL EXCHANGE TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Mar | May | Mar | May |
| 1850 | 177 | 128 | 52 | 78 |
| 1950 | 118 | 82 | 96 | 127 |
| 2050 | 75 | 49 | 148 | 192 |
| Aluminium (99.5%) | Calls | | Puts | |
| 1800 | 206 | 164 | 39 | 120 |
| 1900 | 142 | 118 | 73 | 173 |
| 2000 | 92 | 84 | 123 | 237 |
| Copper (Grade A) | Calls | | Puts | |
| 2200 | | 317 | | 209 |
| 2400 | 249 | 226 | 151 | 317 |
| 2600 | 158 | 162 | 259 | 446 |

## US MARKETS

Sugar, coffee and cocoa futures all traded in heavier than normal volume, reports Drexel Burnham Lambert. Sugar prices advanced on trade and commission house buying. The March contract settled above 10c. Fund buying of coffee kept the market steady. Cocoa futures featured speculative buying. Trading in the precious metals was very quiet. Gold, silver and platinum prices remained stable. Copper prices slipped. The March contract closed at 112.80c. In the soyabean market, rumours of additional crop land lowered prices. Maize and wheat futures were mixed with light volume. Crude oil prices rose in active trading. Commission houses accounted for most of the buying. Cotton futures closed unchanged while orange juice prices gained slightly.

## New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 477.5 | 476.0 | 477.0 | 477.0 |
| Feb | 478.2 | 476.8 | 478.8 | 478.4 |
| Mar | 480.7 | 479.3 | 0 | 0 |
| Apr | 484.0 | 482.5 | 484.7 | 482.2 |
| Jun | 487.5 | 486.0 | 488.7 | 487.5 |
| Aug | 491.4 | 489.9 | 0 | 0 |
| Oct | 495.4 | 494.1 | 496.0 | 494.3 |
| Dec | 501.5 | 500.3 | 500.8 | 500.8 |
| Feb | 507.5 | 505.5 | 506.0 | 506.3 |
| Apr | 514.1 | 513.0 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 490.5 | 489.0 | 492.0 | 490.5 |
| Apr | 497.5 | 495.0 | 500.0 | 496.0 |
| Jul | 505.0 | 503.5 | 507.0 | 505.0 |
| Oct | 513.0 | 511.5 | 515.5 | 507.0 |
| Jan | 521.0 | 519.5 | 519.5 | 519.5 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 669.0 | 667.0 | 0 | 0 |
| Feb | 670.9 | 668.9 | 0 | 0 |
| Mar | 674.5 | 672.5 | 681.0 | 669.0 |
| May | 683.6 | 681.7 | 690.0 | 678.0 |
| Jul | 692.5 | 690.6 | 699.0 | 687.0 |
| Sep | 701.1 | 699.2 | 705.5 | 698.0 |
| Dec | 715.5 | 713.6 | 722.0 | 715.0 |
| Jan | 718.8 | 717.9 | 0 | 0 |
| Mar | 730.1 | 728.1 | 730.0 | 730.0 |
| May | 740.2 | 738.0 | 0 | 0 |

**COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 124.75 | 127.50 | 126.50 | 124.50 |
| Feb | 120.30 | 121.80 | 0 | 0 |
| Mar | 112.80 | 114.30 | 113.30 | 110.80 |
| May | 100.90 | 102.30 | 101.50 | 97.40 |
| Jul | 93.20 | 95.00 | 95.00 | 90.60 |
| Sep | 84.80 | 83.80 | 85.00 | 81.70 |
| Dec | 83.60 | 82.80 | 85.00 | 81.50 |
| Jan | 83.60 | 82.45 | 0 | 0 |
| Mar | 83.20 | 82.10 | 0 | 0 |
| May | 82.95 | 81.75 | 0 | 0 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 17.37 | 17.33 | 17.54 | 17.24 |
| Mar | 17.28 | 17.30 | 17.57 | 17.20 |
| Apr | 17.18 | 17.17 | 17.47 | 17.11 |
| May | 17.15 | 17.07 | 17.38 | 17.05 |
| Jun | 17.23 | 16.99 | 17.30 | 17.00 |
| Jul | 17.19 | 16.92 | 17.20 | 16.92 |
| Aug | 16.98 | 16.85 | 17.00 | 16.92 |
| Sep | 16.95 | 16.78 | 17.00 | 16.85 |
| Oct | 17.00 | 16.71 | 16.80 | 16.80 |
| Nov | 16.85 | 16.64 | 16.85 | 16.85 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 51.30 | 50.71 | 51.60 | 50.55 |
| Mar | 49.60 | 49.01 | 49.95 | 48.90 |
| Apr | 47.60 | 47.16 | 47.95 | 47.00 |
| May | 46.35 | 45.91 | 46.75 | 45.85 |
| Jun | 45.75 | 45.66 | 45.70 | 45.00 |
| Jul | 45.90 | 45.01 | 45.50 | 45.00 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 1916 | 1902 | 1923 | 1899 |
| May | 1945 | 1928 | 1948 | 1925 |
| Jul | 1974 | 1957 | 1977 | 1957 |
| Sep | 1994 | 1977 | 1996 | 1978 |
| Dec | 2027 | 2008 | 2028 | 2010 |
| Mar | 2057 | 2043 | 2058 | 2043 |
| May | 2089 | 2063 | 2075 | 2069 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 129.18 | 129.49 | 130.10 | 128.95 |
| May | 131.72 | 132.08 | 132.65 | 131.60 |
| Jul | 134.09 | 134.49 | 134.90 | 134.00 |
| Sep | 136.10 | 136.50 | 137.10 | 136.05 |
| Dec | 139.25 | 139.53 | 139.70 | 139.25 |
| Mar | 141.50 | 141.50 | 0 | 0 |
| May | 141.50 | 142.50 | 0 | 0 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 10.18 | 9.45 | 10.20 | 9.63 |
| May | 9.94 | 9.35 | 9.95 | 9.42 |
| Jul | 9.77 | 9.27 | 9.77 | 9.30 |
| Sep | 9.71 | 9.21 | 9.71 | 9.30 |
| Oct | 9.74 | 9.24 | 0 | 0 |
| Jan | 9.74 | 9.24 | 0 | 0 |
| Mar | 9.80 | 9.35 | 9.80 | 9.47 |
| May | 9.84 | 9.38 | 0 | 0 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 64.45 | 64.45 | 65.10 | 63.60 |
| May | 65.15 | 64.27 | 65.20 | 64.40 |
| Jul | 65.25 | 64.40 | 65.30 | 64.50 |
| Oct | 63.76 | 62.60 | 63.76 | 62.80 |
| Dec | 62.75 | 61.98 | 63.05 | 61.98 |
| Mar | 63.95 | 63.45 | 64.10 | 63.40 |
| May | 64.05 | 63.67 | 0 | 0 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 175.75 | 173.90 | 177.00 | 173.80 |
| May | 176.10 | 174.80 | 176.10 | 174.80 |
| Jul | 176.00 | 174.70 | 176.00 | 174.90 |
| Sep | 173.95 | 172.05 | 173.25 | 172.50 |
| Nov | 172.25 | 170.75 | 171.05 | 170.75 |
| Jan | 166.70 | 166.75 | 167.00 | 166.50 |
| Mar | 166.70 | 166.75 | 0 | 0 |
| May | 166.70 | 166.75 | 0 | 0 |

**INDICES**

REUTERS (Base: September 18 1931 = 100)

| Jan 18 | Jan 15 | mnth ago | yr ago |
|---|---|---|---|
| 1780.1 | 1733.4 | 1697.8 | 1568.2 |

DOW JONES (Base: December 31 1974 = 100)

| | | | | |
|---|---|---|---|---|
| Spot | 132.50 | 132.45 | 132.87 | 116.09 |
| Futures | 135.96 | 135.00 | 135.04 | 116.84 |

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 624/0 | 622/4 | 627/0 | 618/0 |
| Mar | 629/4 | 630/2 | 634/4 | 622/4 |
| May | 639/4 | 640/4 | 643/4 | 632/0 |
| Jul | 644/6 | 647/4 | 650/0 | 638/4 |
| Aug | 645/6 | 647/0 | 648/0 | 642/0 |
| Sep | 641/0 | 646/0 | 646/0 | 640/0 |
| Nov | 642/4 | 651/4 | 651/0 | 642/4 |
| Jan | 648/4 | 657/0 | 656/2 | 648/0 |
| Mar | 657/0 | 665/0 | 660/0 | 657/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 22.70 | 23.30 | 22.90 | 22.50 |
| Mar | 22.77 | 23.32 | 22.95 | 22.55 |
| May | 22.97 | 23.47 | 23.12 | 22.78 |
| Jul | 23.03 | 23.57 | 23.18 | 22.85 |
| Aug | 23.05 | 23.55 | 23.10 | 22.80 |
| Sep | 22.95 | 23.50 | 23.10 | 22.80 |
| Oct | 22.95 | 23.45 | 23.00 | 22.85 |
| Dec | 22.97 | 23.85 | 23.25 | 22.80 |
| Jan | 23.05 | 0 | 23.20 | 23.05 |

# CURRENCIES, MONEY AND CAPITAL MARKETS



FOREIGN EXCHANGES

## Pound steady but cautious

STERLING MAINTAINED its recent stability in currency markets yesterday. Its exchange rate index moved just 0.2 from the opening high of 74.8 to the day's low of 74.6 touched at the close. This was barely changed from Monday's figure of 74.7.

Beneath the surface, economic data released so far this month have given the pound a pretty firm base. Apart from a buffeting, received occasionally, on fluctuations in the dollar, sterling has remained remarkably steady against its major European partners.

To a large extent, sentiment has been influenced by domestic interest rates. Recent statistics have undermined the lobby of opinion, unsettled by a possible overheating in the UK economy. Retail sales were lower than expected, while manufacturing output, released yesterday fell by 0.5 p.c. in November.

However, caution remained the byword. While dealers conceded that sterling had successfully negotiated a further two hurdles, potentially the main stumbling block is the release tomorrow of UK money supply and bank lending figures.

These are not expected to be very encouraging, with the narrowly defined M0 moving towards its upper limit. However the situation here remains less than clear, for as one analyst pointed out, apart from last August's surprise one point rise in base rates, interest rates have been increased on sterling's weakness rather than expanding money supply. Sterling is currently not weak.

However, the situation could change with the release of UK trade figures for December on January 28. If bad, these could affect sterling sentiment which would in turn, afford the authorities greater room for manoeuvre, when considering any possible need for higher base rates.

Sterling improved against the dollar to $1.7785 from $1.7745 but eased marginally in terms of the D-Mark to DM2.9800 from DM2.9825. It was also lower against the yen at Y228.75 from Y230.75. Elsewhere it finished at SFr2.4275 from SFr2.4325 and FFr10.0475 from FFr10.0650.

The dollar was confined to a relatively narrow range. Traders in Europe had been reluctant to push the dollar either way in the morning, preferring to wait for the opening of US markets, after Monday's partial closure. However the opening of New York provided no surprises and sentiment remained a little uncertain, after the earlier release of Japanese trade figures. These provided a contrast to last week's better than expected US trade figures.

The dollar closed at DM1.6760 from DM1.6805 and Y128.55 compared with Y130.05. Elsewhere it finished at SFr1.3655 from SFr1.3705 and FFr5.6500 compared with FFr5.6725. On Bank of England figures, the dollar's exchange rate index fell from 95.1 to 94.9.

**JAPANESE YEN**—Trading range against the dollar in 1987/88 is 159.45 to 121.35. December average 128.45. Exchange rate index 238.6 against 210.7 six months ago.

The Japanese yen was helped by an improvement in December's trade figures although a significant rise from November had already been discounted. The trading surplus rose to $8.6bn from $4.74bn while the surplus with the US widened to $4.91bn from $4.2bn. However these figures were not truely indicative of the underlying trend. Analysts were quick to point out that while Japanese exports to the US rose by 11.8 p.c. in 1987, imports from the US increased by 27.8 p.c. Although working from a smaller base, the figures at least suggested that however slow, at least some progress was being made in the right direction.

In the short term however, traders were unimpressed and the dollar eased to Y128.90 from Y129.60 in New York and Y130.50 in Tokyo on Monday.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Jan.19 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | [illegible] | [illegible] | [illegible] | ±1.5344 |
| Danish Krone | 7.85212 | [illegible] | [illegible] | [illegible] | ±1.6404 |
| German D-Mark | 2.05853 | [illegible] | [illegible] | [illegible] | ±1.0981 |
| French Franc | 6.90403 | [illegible] | [illegible] | [illegible] | ±1.3674 |
| Dutch Guilder | 2.31943 | [illegible] | [illegible] | [illegible] | ±1.5012 |
| Irish Punt | 0.768411 | [illegible] | [illegible] | [illegible] | ±1.6684 |
| Italian Lira | 1483.58 | [illegible] | [illegible] | [illegible] | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| Jan.19 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.7775-1.7785 | 1.7750-1.7765 |
| 1 month | 0.25-0.24pm | 0.26-0.24pm |
| 3 months | 0.76-0.73pm | 0.74-0.72pm |
| 12 months | 2.95-2.85pm | 3.00-2.90pm |

Forward premiums and discounts apply to the US dollar

### DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

| Jan.19 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ireland† | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Netherlands | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Belgium | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| W. Germany | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portugal | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spain | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| France | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Austria | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switzerland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.15-35.25.

### STERLING INDEX

| | Jan.19 | Previous |
|---|---|---|
| 8.30 am | 74.8 | 74.8 |
| 9.00 am | 74.7 | 74.8 |
| 10.00 am | 74.7 | 74.7 |
| 11.00 am | 74.7 | 74.7 |
| Noon | 74.7 | 74.7 |
| 1.00 pm | 74.7 | 74.7 |
| 2.00 pm | 74.7 | 74.7 |
| 3.00 pm | 74.6 | 74.7 |
| 4.00 pm | 74.6 | 74.7 |

### POUND SPOT-FORWARD AGAINST THE POUND

| Jan.19 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Netherlands | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Belgium | 62.17-62.40 | 62.30-62.40 | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark | 11.41¼-11.47¼ | 11.42¼-11.43¼ | 5⅛pm-1oredis | -0.20 | 1⅛pm-5⅛dis | 0.11 |
| Ireland | 1.1185-1.1245 | 1.1200-1.1210 | 0.06pm-par | 0.32 | 0.22-0.06pm | 0.50 |
| W. Germany | 2.97½-2.98½ | 2.97½-2.98½ | 1⅝-1½pfpm | 5.54 | 4⅛-3⅞pm | 5.29 |
| Portugal | 242.70-245.16 | 244.00-245.00 | 119-202cdis | -7.88 | 297-435dis | -5.99 |
| Spain | 201.90-202.80 | 201.90-202.20 | 72-101cdis | -5.14 | 182-231dis | -4.09 |
| Italy | 2184½-2190 | 2187-2188 | par-6lire dis | -1.65 | 6-15dis | -1.92 |
| Norway | 11.34½-11.39½ | 11.36¼-11.37¼ | 4¼-6oredis | -5.67 | 14¼-15¼dis | -5.36 |
| France | 10.03½-10.06½ | 10.04¼-10.05¼ | ¼pm-⅜cdis | -0.15 | 1¼-par pm | 0.25 |
| Sweden | 10.69½-10.75 | 10.71-10.72 | ¼-1⅛oredis | -0.91 | 1⅛-2⅝dis | -0.72 |
| Japan | 228¼-230 | 228¼-229¼ | 1¼-⅝ypm | 4.92 | 3-2⅞pm | 4.70 |
| Austria | 20.95-21.04 | 21.04-21.07 | 8⅛-7gropm | 4.31 | 23½-21pm | 4.23 |
| Switzerland | 2.42¼-2.43¼ | 2.42¼-2.43¼ | 1⅝-1½cpm | 7.11 | 4⅝-3⅝pm | 6.39 |

Belgian rate is convertible francs. Financial franc 62.55-62.65. Six-month forward dollar 1.54-1.49cpm 12 month 2.95-2.85cpm

### CURRENCY RATES

| Jan.19 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | [illegible] | N/A | [illegible] |
| U.S. Dollar | [illegible] | N/A | [illegible] |
| Canadian $ | [illegible] | N/A | [illegible] |
| Austria Sch. | [illegible] | N/A | [illegible] |
| Belgian Franc | [illegible] | N/A | [illegible] |
| Danish Krone | [illegible] | N/A | [illegible] |
| Deutsche Mark | [illegible] | N/A | [illegible] |
| Neth. Guilder | [illegible] | N/A | [illegible] |
| French Franc | [illegible] | N/A | [illegible] |
| Italian Lira | [illegible] | N/A | [illegible] |
| Japanese Yen | [illegible] | N/A | [illegible] |
| Norway Krone | [illegible] | N/A | [illegible] |
| Spanish Peseta | [illegible] | N/A | [illegible] |
| Swedish Krona | [illegible] | N/A | [illegible] |
| Swiss Franc | [illegible] | N/A | [illegible] |
| Greek Drach. | [illegible] | N/A | [illegible] |
| Irish Punt | [illegible] | N/A | [illegible] |

All SDR rates are for January 18

### EURO-CURRENCY INTEREST RATES

| Jan.19 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 8½-8¼ | 8½-8⅜ | 8⅝-8½ | 8⅞-8¾ | 9⅛-9 | 9¼-9⅛ |
| US Dollar | 6⅞-6¾ | 6⅞-6¾ | 7-6⅞ | 7⅛-7 | 7⅜-7¼ | 7⅝-7½ |
| Can. Dollar | 8½-8¼ | 8⅝-8⅜ | 8⅝-8½ | 8⅞-8¾ | 9⅛-9 | 9¼-9 |
| D. Guilder | 4¼-3⅞ | 4¼-3⅞ | 4⅛-4 | 4¼-4⅛ | 4⅜-4¼ | 4⅝-4½ |
| Sw. Franc | 1⅛-1 | 1⅛-1 | 1⅝-1½ | 2⅛-2 | 2⅝-2½ | 3¼-3⅛ |
| Deutschmark | 3⅝-3½ | 3⅝-3½ | 3⅝-3½ | 3½-3⅜ | 3⅝-3½ | 3⅞-3¾ |
| Fr. Franc | 7⅞-7⅝ | 7⅞-7⅝ | 8⅛-8 | 8⅝-8½ | 8⅞-8¾ | 9-8⅞ |
| Italian Lire | 11⅛-9 | 10-9 | 10⅛-9⅝ | 10⅝-10⅛ | 11-10⅝ | 11½-11 |
| B. Fr. (Fin) | 6⅝-6⅜ | 6⅝-6½ | 6⅝-6½ | 6⅝-6½ | 6⅞-6⅝ | 6⅞-6⅝ |
| B. Fr. (Con.) | 6⅝-6⅜ | 6⅝-6⅜ | 6⅝-6⅜ | 6⅝-6⅜ | 6⅞-6½ | 7-6⅝ |
| Yen | 3⅞-3⅝ | 4-3⅞ | 4⅛-3⅞ | 4⅛-4 | 4⅛-4 | 4⅛-4 |
| D. Krone | 9-8⅝ | 9⅛-8⅝ | 9-8⅝ | 9⅛-8⅝ | 9⅝-9⅛ | 9⅝-9⅛ |
| Asian $Sing | 6⅞-6⅝ | 7-6⅞ | 7-6⅞ | 7⅛-7 | 7⅜-7¼ | 7⅝-7½ |

Long term Eurodollars: two years 8⅛-8⅛ per cent; three years 8⅞-8⅝ per cent; four years 9⅛-8⅞ per cent; five years 9⅜-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### CURRENCY MOVEMENTS

| Jan.19 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 74.6 | [illegible] |
| U.S. Dollar | 94.9 | [illegible] |
| Canadian Dollar | [illegible] | [illegible] |
| Austrian Schilling | [illegible] | [illegible] |
| Belgian Franc | [illegible] | [illegible] |
| Danish Kroner | [illegible] | [illegible] |
| Deutsche Mark | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] |
| Guilder | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] |
| Lira | [illegible] | [illegible] |
| Yen | 238.6 | [illegible] |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

### EXCHANGE CROSS RATES

| Jan.19 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.779 | 2.980 | 229.0 | 10.05 | 2.43 | 3.35 | 2188 | 2.288 | 62.35 |
| $ | 0.562 | 1 | 1.675 | 128.7 | 5.649 | 1.366 | 1.883 | 1230 | 1.286 | 35.05 |
| DM | 0.336 | 0.597 | 1 | 76.85 | 3.372 | 0.815 | 1.124 | 734.2 | 0.768 | 20.92 |
| YEN | 4.367 | 7.769 | 13.01 | 1000. | 43.89 | 10.61 | 14.63 | 9555 | | 272.3 |
| F Fr. | 0.995 | 1.770 | 2.965 | 227.9 | 10. | 2.418 | 3.333 | 2177 | 2.277 | 62.04 |
| S Fr. | 0.412 | 0.732 | 1.226 | 94.24 | 4.136 | 1 | 1.379 | 900.4 | 0.942 | 25.66 |
| H Fl. | 0.299 | 0.531 | 0.890 | 68.36 | 3.000 | 0.725 | 1 | 653.1 | 0.683 | 18.61 |
| Lira | 0.457 | 0.813 | 1.362 | 104.7 | 4.593 | 1.111 | 1.531 | 1000. | 1.046 | 28.50 |
| C $ | 0.437 | 0.778 | 1.302 | 100.1 | 4.392 | 1.062 | 1.464 | 956.3 | 1 | 27.25 |
| B Fr. | 1.604 | 2.853 | 4.779 | 367.3 | 16.12 | 3.897 | 5.373 | 3509 | 3.670 | 100. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

### OTHER CURRENCIES

| Jan.19 | £ | $ |
|---|---|---|
| Argentina | [illegible] | [illegible] |
| Australia | [illegible] | [illegible] |
| Brazil | [illegible] | [illegible] |
| Finland | [illegible] | [illegible] |
| Greece | [illegible] | [illegible] |
| Hong Kong | [illegible] | [illegible] |
| Iran | [illegible] | [illegible] |
| Korea (Sth) | [illegible] | [illegible] |
| Kuwait | [illegible] | [illegible] |
| Luxembourg | [illegible] | [illegible] |
| Malaysia | [illegible] | [illegible] |
| Mexico | [illegible] | [illegible] |
| N. Zealand | [illegible] | [illegible] |
| Saudi Ar. | [illegible] | [illegible] |
| Singapore | [illegible] | [illegible] |
| S. Af (Cm) | [illegible] | [illegible] |
| S. Af (Fn) | [illegible] | [illegible] |
| Taiwan | [illegible] | [illegible] |
| U.A.E. | [illegible] | [illegible] |

*Selling rate

FINANCIAL FUTURES

## Little reaction to UK news

A RISE of 2.4 p.c. in year on year UK unit labour costs in November provided the main worry for financial markets yesterday. Ms Evelyn Brodie, senior UK economist at Morgan Grenfell, suggested that productivity gains could not be expected to keep pace with the rise in wage rises, but that the news on industrial production and the Public Sector Borrowing Requirement probably defers any need to increase UK bank base rates.

The fall in industrial output was slightly disappointing, according to Ms Brodie, but manufacturing production still appears to be growing at a healthy rate, and does not necessarily point to a slow down in the economy.

On the other hand Mr Stephen Hannah, economist at County NatWest, said there was a message for the markets, and particularly equities in the figures. He suggested economic growth is slowing, and that this is the first impact from the October crash in share prices.

Mr Chris Tinker, at Phillips and Drew, agrees there may have been a slow down in growth, from a peak in the third quarter of last year, but regards the economy as still relatively strong. He viewed the figures as quite acceptable, including the rise in labour costs, which Mr Tinker said were of a cyclical nature, and should have been expected.

Mr Hannah believes the Chancellor still has scope for tax cuts, but Mr Nick Parsons, at Union Discount, suggests the Chancellor may not now have as much to give away. At the same time he thinks yesterday's figures have taken off the pressure for an immediate rise in bank base rates, but noted there was no reaction from the futures market, where short sterling failed to react.

March three-month sterling deposits eased to 90.79 from 90.81 on Liffe. Long term gilt futures were also weaker, falling to 118-05 for March delivery, from 118-29.

**LIFFE LONG GILT FUTURES OPTIONS**

| Strike Price | Calls-settlements Mar | Calls Jun | Puts-settlements Mar | Puts Jun |
|---|---|---|---|---|
| 112 | 6.15 | 6.51 | 0.05 | 0.47 |
| 114 | 4.25 | 5.17 | 0.15 | 1.13 |
| 116 | 2.53 | 3.61 | 0.43 | 1.57 |
| 118 | 1.36 | 2.54 | 1.26 | 2.50 |
| 120 | 0.47 | 2.03 | 2.37 | 3.63 |
| 122 | 0.20 | 1.25 | 4.10 | 5.21 |
| 124 | 0.09 | 0.58 | 5.63 | 6.54 |
| 126 | 0.04 | 0.36 | 7.58 | 8.32 |

Estimated volume total, Calls 2865 Puts 318
Previous day's open int: Calls 33866 Puts 21293

**LIFFE US TREASURY BOND FUTURES OPTIONS**

| Strike Price | Calls-settlements Mar | Calls Jun | Puts-settlements Mar | Puts Jun |
|---|---|---|---|---|
| 80 | 10.05 | 9.28 | 0.01 | 0.22 |
| 82 | 8.08 | 7.45 | 0.04 | 0.39 |
| 84 | 6.16 | 6.08 | 0.12 | 1.02 |
| 86 | 4.26 | 4.47 | 0.22 | 1.41 |
| 88 | 2.52 | 3.35 | 0.48 | 2.29 |
| 90 | 1.35 | 2.33 | 1.31 | 3.27 |
| 92 | 0.50 | 1.48 | 2.46 | 4.42 |
| 94 | 0.21 | 1.11 | 4.17 | 6.05 |

Estimated volume total, Calls 90 Puts 5
Previous day's open int: Calls 1173 Puts 1065

**LIFFE FT-SE 100 INDEX FUTURES OPTIONS**

| Strike Price | Calls-settlements Jan | Calls Feb | Puts-settlements Jan | Puts Feb |
|---|---|---|---|---|
| 15500 | 20.60 | 21.22 | 0.00 | 0.62 |
| 16000 | 15.60 | 16.87 | 0.00 | 1.27 |
| 16500 | 10.63 | 12.95 | 0.03 | 2.35 |
| 17000 | - | - | - | - |
| 17500 | 2.37 | 6.76 | - | - |
| 18000 | 0.58 | 4.58 | 4.98 | 8.98 |
| 18500 | 0.08 | 2.97 | 9.48 | 12.37 |
| 19000 | 0.01 | 1.85 | 14.41 | 16.25 |

Estimated volume total, Calls 37 Puts 0
Previous day's open int: Calls 166 Puts 186

**LIFFE £/$ OPTIONS**
£25,000 (cents per £1)

| Strike Price | Calls Feb | Calls Mar | Calls Apr | Calls Jun | Puts Feb | Puts Mar | Puts Apr | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 1.65 | 12.20 | 12.20 | 12.20 | 12.38 | 0.05 | 0.34 | 0.65 | 1.38 |
| 1.70 | 7.37 | 7.85 | 8.13 | 8.72 | 0.37 | 1.10 | 1.66 | 2.72 |
| 1.75 | 3.57 | 4.48 | 4.94 | 5.77 | 1.57 | 2.73 | 3.47 | 4.77 |
| 1.80 | 1.26 | 2.19 | 2.69 | 3.57 | 4.26 | 5.44 | 6.22 | 7.57 |
| 1.85 | 0.30 | 0.91 | 1.30 | 2.01 | 8.30 | 9.16 | 9.83 | 11.05 |
| 1.90 | 0.05 | 0.31 | 0.56 | 1.10 | 13.05 | 13.56 | 14.09 | 15.10 |
| 1.95 | 0.01 | 0.09 | - | 0.55 | 20.01 | 10.34 | - | 19.55 |

Estimated volume total, Calls 1 Puts 1
Previous day's open int: Calls 315 Puts 561

**LONDON SE £/$ OPTIONS**
£12,500 (cents per £1)

| Strike Price | Calls Feb | Calls Mar | Calls Apr | Calls Jun | Puts Feb | Puts Mar | Puts Apr | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 1.60 | - | 23.90 | - | 23.80 | - | 0.30 | - | 0.50 |
| 1.65 | - | 12.30 | - | 18.65 | - | 0.25 | - | 1.30 |
| 1.70 | 12.80 | 7.90 | 8.40 | 13.20 | 0.35 | 0.70 | 2.10 | 2.05 |
| 1.75 | 3.50 | 6.90 | 5.20 | 6.10 | 1.05 | 3.05 | 3.85 | 3.40 |
| 1.80 | 1.50 | 2.30 | 3.00 | 6.30 | 4.45 | 5.80 | 6.45 | 7.60 |
| 1.85 | 0.50 | 1.15 | 1.65 | 4.00 | 8.65 | 9.60 | 10.05 | 10.90 |
| 1.90 | 0.50 | 0.85 | 1.00 | 2.95 | 8.60 | 9.40 | 14.20 | 11.20 |

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 601 Puts 194

**PHILADELPHIA SE £/$ OPTIONS**
£12,500 (cents per £1)

| Strike Price | Calls Feb | Calls Mar | Calls Apr | Calls Jun | Puts Feb | Puts Mar | Puts Apr | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 1.700 | 7.05 | 7.50 | - | 8.65 | 0.45 | 1.10 | - | 2.75 |
| 1.725 | 5.00 | 5.65 | 4.60 | 7.05 | 0.98 | 1.60 | - | 3.60 |
| 1.750 | 3.25 | 4.05 | 3.45 | 5.65 | 1.60 | 2.20 | 3.40 | 4.75 |
| 1.775 | 1.95 | 2.80 | 2.50 | 4.45 | 2.60 | 3.40 | 4.90 | 6.05 |
| 1.800 | 1.00 | 1.90 | 1.95 | 3.45 | 4.15 | 5.25 | 6.35 | 7.50 |
| 1.825 | 0.55 | 1.20 | 1.40 | 2.45 | 6.05 | 7.05 | 8.00 | 9.15 |
| 1.850 | 0.20 | 0.70 | - | 2.05 | 8.30 | 9.05 | 9.90 | 10.95 |

Previous day's open int: Calls N/A Puts N/A
Previous day's volume: Calls N/A Puts N/A

**LIFFE- EURODOLLAR OPTIONS**
$1m points of 100%

| Strike Price | Calls Mar | Calls Jun | Calls Sep | Calls Dec | Puts Mar | Puts Jun | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 90.25 | 2.27 | 2.08 | 1.92 | 1.77 | 0.00 | 0.03 | 0.14 | 0.26 |
| 90.50 | 2.02 | 1.85 | 1.71 | 1.57 | 0.00 | 0.05 | 0.18 | 0.31 |
| 90.75 | 1.77 | 1.62 | 1.50 | 1.38 | 0.00 | 0.07 | 0.22 | 0.37 |
| 91.00 | 1.52 | 1.40 | 1.30 | 1.20 | 0.00 | 0.10 | 0.27 | 0.44 |
| 91.25 | 1.28 | 1.19 | 1.12 | 1.03 | 0.01 | 0.14 | 0.34 | 0.52 |
| 91.50 | 1.04 | 0.99 | 0.94 | 0.87 | 0.02 | 0.19 | 0.41 | 0.61 |
| 91.75 | 0.18 | 0.81 | 0.78 | 0.73 | 0.04 | 0.26 | 0.50 | 0.72 |

Estimated volume total, Calls 50 Puts 120
Previous day's open int: Calls 360 Puts 764

### LONDON

**20-YEAR 12% NOTIONAL GILT**
£50,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 118-05 | 118-27 | 118-04 | 118-29 |
| Jun | 118-02 | 118-20 | 118-17 | 118-26 |

Estimated Volume 29637(26628)
Previous day's open int. 23399 (22524)

**7-10 YEAR 9% NOTIONAL GILT**
£50,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 94.18 | 94.25 | 94.16 | 94.29 |
| Jun | - | | | |

Estimated Volume 689(1338)
Previous day's open int. 2074 (2408)

**6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%**

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 108.14 | 108.30 | 108.10 | 108.05 |
| Jun | 107.64 | - | - | 107.55 |

Estimated Volume 343(224)
Previous day's open int. 665 (686)

**THREE MONTH STERLING**
£500,000 points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 90.79 | 90.84 | 90.77 | 90.81 |
| Jun | 90.59 | 90.62 | 90.58 | 90.61 |
| Sep | 90.43 | 90.44 | 90.41 | 90.44 |
| Dec | 90.27 | 90.27 | 90.25 | 90.27 |

Est. Vol. (inc. figs. not shown) 6739(6790)
Previous day's open int. 29200 (29627)

**FT-SE 100 INDEX**
£25 per full index point

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 175.60 | 179.30 | 175.30 | 180.20 |
| Jun | 179.10 | - | - | 183.70 |

Estimated Volume 1600(1422)
Previous day's open 7456 (7507)

**THREE MONTH EURODOLLAR**
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 92.52 | 92.55 | 92.49 | 92.55 |
| Jun | 92.30 | 92.34 | 92.29 | 92.35 |
| Sep. | 92.03 | 92.09 | 92.03 | 92.09 |
| Dec | 91.76 | 91.79 | 91.76 | 91.80 |

Est. Vol. (inc. figs. not shown) 5197(3975)
Previous day's open int. 27922 (27958)

**U.S. TREASURY BONDS 8%**
$100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 90-02 | 90-10 | 89-28 | 90-18 |
| Jun | 89-03 | - | - | 89-19 |

Estimated Volume 5982(3714)
Previous day's open int. 7564 (7712)

### CURRENCY FUTURES

**POUND-$ (FOREIGN EXCHANGE)**

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.7785 | 1.7762 | 1.7712 | 1.7634 | 1.7495 |

**IMM-STERLING $s per £**

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 1.7650 | 1.7670 | 1.7635 | 1.7690 |
| Jun | 1.7570 | 1.7580 | 1.7565 | 1.7610 |
| Sep | 1.7502 | - | 1.7502 | 1.7540 |
| Dec | - | - | - | 1.7492 |

**LIFFE-STERLING £25,000 $ per £**

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 1.7675 | - | - | 1.7654 |
| Jun | 1.7600 | - | - | 1.7572 |
| Sep | 1.7520 | 1.7520 | 1.7520 | 1.7495 |

Estimated volume 0(193)
Previous day's open int. 289 (166)

### CHICAGO

**U.S. TREASURY BONDS (CBT) 8%**
$100,000 32nds of 100%

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 90-07 | 90-08 | 89-28 | 90-04 |
| Jun | 89-08 | 89-08 | 88-30 | 89-06 |
| Sep | 88-12 | 88-12 | 88-05 | 88-11 |
| Dec | 87-18 | 87-18 | 87-13 | 87-18 |
| Mar | - | - | - | 86-27 |
| Jun | - | - | - | 86-06 |
| Sep | - | - | - | 85-18 |
| Dec | - | - | - | 84-31 |
| Mar | - | - | - | 84-12 |
| Jun | - | - | - | 83-26 |
| Sep | - | - | - | 83-09 |

**U.S. TREASURY BILLS (IMM)**
$1m points of 100%

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 93.94 | 94.00 | 93.91 | 93.99 |
| Jun | 93.73 | 93.78 | 93.72 | 93.79 |
| Sep | 93.47 | - | 93.47 | 93.52 |
| Dec | 93.18 | - | 93.18 | 93.23 |
| Mar | 92.97 | - | 92.97 | 93.00 |
| Jun | 92.76 | - | 92.76 | 92.79 |

**SWISS FRANC (IMM)**
SFr 125,000 $ per SFr

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 0.7337 | 0.7347 | 0.7326 | 0.7359 |
| Jun | 0.7414 | 0.7415 | 0.7405 | 0.7430 |
| Sep | 0.7495 | - | 0.7495 | 0.7515 |
| Dec | - | - | - | 0.7600 |

**JAPANESE YEN (IMM)**
Y12.5m $ per Y100

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 0.7756 | 0.7768 | 0.7736 | 0.7748 |
| Jun | 0.7818 | 0.7826 | 0.7800 | 0.7808 |
| Sep | - | 0.7890 | 0.7872 | 0.7878 |
| Dec | - | 0.7950 | 0.8019 | 0.7948 |
| Mar | 0.8019 | 0.8020 | 0.8019 | 0.8018 |

**DEUTSCHE MARK (IMM)**
DM125,000 $ per DM

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 0.5967 | 0.5972 | 0.5955 | 0.5979 |
| Jun | 0.6012 | 0.6025 | 0.6008 | 0.6033 |
| Sep | - | - | - | 0.6091 |
| Dec | - | - | - | 0.6153 |

**THREE-MONTH EURODOLLAR (IMM)**
$1m points of 100%

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 92.53 | 92.54 | 92.50 | 92.55 |
| Jun | 92.31 | 92.33 | 92.28 | 92.34 |
| Sep | 92.06 | 92.08 | 92.03 | 92.08 |
| Dec | 91.77 | 91.79 | 91.76 | 91.80 |
| Mar | 91.53 | 91.55 | 91.51 | 91.56 |
| Jun | 91.32 | 91.34 | 91.31 | 91.35 |
| Sep | 91.14 | 91.15 | 91.12 | 91.16 |
| Dec | 90.99 | 90.99 | 90.98 | 91.00 |

**STANDARD & POORS 500 INDEX**
$500 times index

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 249.70 | 251.75 | 249.55 | 252.40 |
| Jun | 251.20 | 252.50 | 251.10 | 253.90 |
| Sep | 252.50 | - | 252.50 | 255.55 |

MONEY MARKETS

## Pressure eases

THE CITY was left somewhat bemused about the prospects for UK interest rates after yesterday's economic news.

The most worrying figure was the rise in November unit labour costs, but other news on industrial production and public sector borrowing suggested fears about overheating in the economy may have been overdone. Speculation that the Bank of England will push for a rise in UK bank base rates this week tended to fade.

After looking at the general picture Mr Chris Tinker, economist at Phillips and Drew, said the main pressure for a change in rates remains international. He does not expect any early movement in rates, but believes the next move could be down if there is renewed nervousness in equity markets.

**UK clearing bank base lending rate 8½ per cent from December 4**

On balance most City economists appear to believe base rates will move higher, but after yesterday's news and the December retail sales figures, there is no longer as much pressure.

Ms Evelyn Brodie, at Morgan Grenfell, said the PSBR in December may lead to better than expected money supply figures tomorrow.

Three-month interbank was unchanged at 9-8⅞ p.c. after yesterday's news.

The Bank of England initially forecast a money market shortage of £450m, but revised this to £350m at noon, and provided total help of only £187m.

Before lunch the authorities bought £177m bills outright, by way of £34m bank bills in band 1 at 8⅜ p.c.; £10m bank bills in band 3 at 8⅜ p.c.; and £133m bank bills in band 4 at 8⅜ p.c.

The authorities did not operate in the market during the afternoon, but provided late assistance of £10m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £226m.

In Brussels the Belgian National Bank cut the interest rate on one-month; two-month; and three-month Treasury certificates by 0.10 p.c. to 6.45 p.c.

In Frankfurt call money was steady at 3.20 p.c., as the domestic money market remained well supplied with liquidity, following recent foreign exchange intervention by the West German Bundesbank.

Doubts about future liquidity levels encouraged the Bundesbank to offer a securities repurchase tender running for only 14 days, against the usual 28 days, according to dealers. The result of the tender, at an unchanged fixed rate of 3.25 p.c., will be announced today.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Jan.19) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 7⅛ | offer 7⅜ | bid 7¼ | offer 7⅜ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** (Lunchtime)

| | |
|---|---|
| Prime rate | 8.75 |
| Broker loan rate | 8.00 |
| Fed.funds | 6⅞ |
| Fed.funds at intervention | 6⅞ |

| Treasury Bills and Bonds | | | |
|---|---|---|---|
| One month | 5.53 | Three year | 7.83 |
| Two month | 5.58 | Four year | 8.03 |
| Three month | 6.11 | Five year | 8.17 |
| Six month | 6.59 | Seven year | 8.46 |
| One year | 6.95 | 10-year | 8.64 |
| Two year | 7.62 | 30-year | 8.81 |

| Jan.19 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 3.15-3.25 | 3.30-3.45 | 3.30-3.45 | 3.35-3.50 | 3.40-3.55 | 4.50 |
| Paris | 7⅛-7½ | 7⅞-7⅞ | 7⅞-8 | 8⅛-8¼ | 8½-8⅝ | 7.50 |
| Zurich | ⅛-⅜ | 1½-1⅝ | - | 2⅛-2½ | - | - |
| Amsterdam | 4-4⅛ | 4⅛-4¼ | - | 4⅛-4⅜ | - | - |
| Tokyo | 3.40625 | 3.78125 | - | 3.90625 | - | - |
| Milan | 9-11½ | 10⅛-10⅝ | - | 10⅛-10⅞ | - | - |
| Brussels | 4.50 | 6½-6⅝ | - | 6½-6⅝ | - | - |
| Dublin | 8⅞-8⅞ | 8⅞-8⅝ | 8⅞-8⅝ | 8⅞-8⅞ | 9-9¼ | - |

### LONDON MONEY RATES

| Jan.19 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 9 | 8½ | 8⅞ | 9 | 9⅛ | 9⅛ |
| Interbank Bid | 7⅞ | 8 | 8½ | 8⅞ | 9 | 9⅛ |
| Sterling CDs. | - | - | 8⅝ | 8⅞ | 9⅛ | 9¼ |
| Local Authority Deps. | 8 | 8⅛ | 8½ | 8⅞ | 9⅛ | 9½ |
| Local Authority Bonds | - | - | 8⅞ | 9 | 9⅛ | 9⅛ |
| Discount Mkt Deps. | 8⅞ | 8⅞ | - | - | - | - |
| Company Deposits | 8½ | 8⅞ | 8⅞ | 8⅞ | 8⅞ | 8⅞ |
| Finance House Deposits | - | - | 8⅞ | 8⅞ | 9⅛ | 9⅛ |
| Treasury Bills (Buy) | - | - | 8⅞ | 8⅞ | - | - |
| Bank Bills (Buy) | - | - | 8⅞ | 8⅞ | 8⅞ | - |
| Fine Trade Bills (Buy) | - | - | 9 | 9⅛ | 9⅛ | - |
| Dollar CDs | - | - | 7.0 | 7.10 | 7.25 | 7.70 |
| SDR Linked Dep Offer | - | - | 5⅞ | 6⅛ | 6⅜ | 6⅝ |
| SDR Linked Dep Bid | - | - | 5⅞ | 5⅞ | 6⅛ | 6⅜ |
| ECU Linked Dep Offer | - | - | 6⅞ | 6⅞ | 6⅞ | 7⅛ |
| ECU Linked Dep Bid | - | - | 6⅛ | 6⅞ | 6⅞ | 6⅞ |

Treasury Bills (sell): one-month 8⅛ per cent; three months 8⅞ per cent; Bank Bills (sell): one-month 8⅞ per cent; three months 8⅞ per cent; Treasury Bills; Average tender rate of discount 8.3419 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1987. Agreed rates for period January 26 1988 to February 23, 1988, Scheme I: 10.05 p.c., Schemes II & III: 10.09 p.c. Reference rate for period December1 1987 to December31, 1987, Scheme IV: 8.830 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9.00 from January 1, 1988: Bank Deposit Rates for sums at seven days notice 3.00-3.50 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7.50 per cent; one-three months 8.25 per cent; three-six months 8.75 per cent; six-nine months 8.75 per cent; nine-twelve months 8.75 per cent; Under £100,000 7½ per cent from January 7,1988. Deposits withdrawn for cash 5.00 per cent.

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## EUROPEAN OPTIONS EXCHANGE

| Series | | Feb. 88 Vol | Feb. 88 Last | May 88 Vol | May 88 Last | Aug. 88 Vol | Aug. 88 Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $ 460 | 50 | 24 | – | – | – | – | $ 477.60 |
| GOLD C | $ 480 | 7 | 10 | 98 | 23.20 | – | – | $ 477.60 |
| GOLD C | $ 500 | 73 | 4 | 20 | 17 | – | – | $ 477.60 |
| GOLD C | $ 520 | 20 | 1.80 | – | – | 10 | 20 | $ 477.60 |
| GOLD P | $ 480 | 100 | 9.50 | 100 | 17.90 | – | – | $ 477.60 |
| GOLD P | $ 500 | 100 | 22.50 | 100 | 28 | – | – | $ 477.60 |
| | | Feb. 88 | | Mch. 88 | | Apr. 88 | | |
| EOE Index C | Fl. 165 | 12 | 13 | – | – | – | – | Fl. 174.67 |
| EOE Index C | Fl. 170 | 23 | 10.50 | 25 | 13.50 | 10 | 15.50 | Fl. 174.67 |
| EOE Index C | Fl. 175 | 43 | 7.50 A | – | – | 2 | 12.50 | Fl. 174.67 |
| EOE Index C | Fl. 180 | 144 | 4.80 | 9 | 7.50 | – | – | Fl. 174.67 |
| EOE Index C | Fl. 185 | 168 | 3 | 21 | 6 | 5 | 8.30 | Fl. 174.67 |
| EOE Index P | Fl. 155 | 26 | 1.20 | – | – | – | – | Fl. 174.67 |
| EOE Index P | Fl. 160 | 31 | 2 | – | – | – | – | Fl. 174.67 |
| EOE Index P | Fl. 165 | 89 | 3 | 20 | 5.50 | – | – | Fl. 174.67 |
| EOE Index P | Fl. 170 | 92 | 4.90 | 39 | 8 | – | – | Fl. 174.67 |
| EOE Index P | Fl. 175 | 288 | 7.80 | 39 | 9.50 B | 12 | 11.70 | Fl. 174.67 |
| EOE Index P | Fl. 180 | 47 | 10.40 | 6 | 13.20 | – | – | Fl. 174.67 |
| EOE Index P | Fl. 185 | 23 | 13 | 5 | 16 | – | – | Fl. 174.67 |
| £/Fl C | Fl. 340 | – | – | 10 | 0.15 | – | – | Fl. 334.88 |
| $/Fl C | Fl. 180 | 12 | 9.20 | 16 | 9.50 | – | – | Fl. 188.95 |
| $/Fl C | Fl. 185 | 40 | 5 | 70 | 6.40 | – | – | Fl. 188.95 |
| $/Fl C | Fl. 190 | 80 | 2.10 | 40 | 3.20 | 3 | 3.90 | Fl. 188.95 |
| $/Fl C | Fl. 195 | – | – | 60 | 1.40 | 3 | 2.40 | Fl. 188.95 |
| $/Fl P | Fl. 180 | 6 | 1 | 11 | 1.50 | – | – | Fl. 188.95 |
| $/Fl P | Fl. 185 | 19 | 2 | 111 | 2.70 | 13 | 3.90 | Fl. 188.95 |
| $/Fl P | Fl. 190 | 55 | 4.20 | 87 | 5.60 | – | – | Fl. 188.95 |
| $/Fl P | Fl. 200 | – | – | 8 | 12.70 | – | – | Fl. 188.95 |
| | | Apr. 88 | | Jul. 88 | | Oct. 88 | | |
| ABN C | Fl. 40 | 435 | 1.30 | 84 | 2.10 | 20 | 2.70 | Fl. 36.70 |
| ABN P | Fl. 35 | 252 | 1.40 | – | – | 52 | 4 | Fl. 36.70 |
| AEGON C | Fl. 65 | 87 | 1.80 | – | – | – | – | Fl. 58.30 |
| AEGON P | Fl. 50 | 75 | 1 | – | – | – | – | Fl. 58.30 |
| AHOLD C | Fl. 75 | 140 | 3.30 | 10 | 5.50 | – | – | Fl. 69.20 |
| AHOLD P | Fl. 65 | 106 | 3.20 | – | – | – | – | Fl. 69.20 |
| AKZO C | Fl. 110 | 334 | 2 | 9 | 4.20 | – | – | Fl. 91 |
| AKZO P | Fl. 90 | 151 | 6.50 | 142 | 11 | 11 | 13 | Fl. 91 |
| AMEV C | Fl. 40 | 9 | 2.40 | 10 | 3.80 | – | – | Fl. 39 |
| AMRO C | Fl. 55 | 120 | 3.30 | 1 | 4.80 | – | – | Fl. 56.10 |
| AMRO P | Fl. 60 | 22 | 4.90 | 1 | 6 | – | – | Fl. 56.10 |
| ELSEVIER C | Fl. 50 | 162 | 1.50 | 71 | 2.80 | – | – | Fl. 43.30 |
| ELSEVIER P | Fl. 40 | 29 | 2.70 | 170 | 4.50 | – | – | Fl. 43.30 |
| GIST-BROC. C | Fl. 25 | 254 | 1.90 | 17 | 2.90 | – | – | Fl. 24.40 |
| GIST-BROC. P | Fl. 25 | 311 | 2.50 | – | – | – | – | Fl. 24.40 |
| HEINEKEN C | Fl. 130 | 35 | 5.60 | – | – | – | – | Fl. 122 |
| HEINEKEN P | Fl. 100 | 30 | 1.10 | – | – | – | – | Fl. 122 |
| HOOGOVENS C | Fl. 30 | 51 | 1.30 | 16 | 2.50 | – | – | Fl. 25.50 |
| HOOGOVENS P | Fl. 27.50 | 231 | 4 | 3 | 4.50 | – | – | Fl. 25.50 |
| KLM C | Fl. 30 | 755 | 2.70 | 16 | 4.20 | 75 | 4.90 | Fl. 29.10 |
| KLM P | Fl. 30 | 215 | 3 | 26 | 4.30 | – | – | Fl. 29.10 |
| NEDLLOYD C | Fl. 180 | 185 | 17 | 6 | 22 A | – | – | Fl. 175.50 |
| NEDLLOYD P | Fl. 160 | 83 | 10.50 | 1 | 15 A | – | – | Fl. 175.50 |
| NAT.NED. C | Fl. 60 | 152 | 0.70 | 27 | 1.20 | – | – | Fl. 48.80 |
| NAT.NED. P | Fl. 50 | 55 | 3.50 | 1 | 5 | – | – | Fl. 48.80 |
| PHILIPS C | Fl. 27.50 | 320 | 0.80 | 44 | 1.50 | 109 | 2.30 | Fl. 24.30 |
| PHILIPS P | Fl. 25 | 160 | 2.70 | 52 | 3.20 | – | – | Fl. 24.30 |
| ROYAL DUTCH C | Fl. 210 | 341 | 7.60 | 130 | 10 | 2 | 15 A | Fl. 203.50 |
| ROYAL DUTCH P | Fl. 230 | 115 | 27 B | – | – | – | – | Fl. 203.50 |
| UNILEVER C | Fl. 120 | 227 | 3.30 | 74 | 6.50 A | 3 | 9 | Fl. 105 |
| UNILEVER P | Fl. 100 | 268 | 4.90 | 67 | 8.30 B | – | – | Fl. 105 |

TOTAL VOLUME IN CONTRACTS : 22,246

A=Ask B=Bid C=Call P=Put

## BASE LENDING RATES

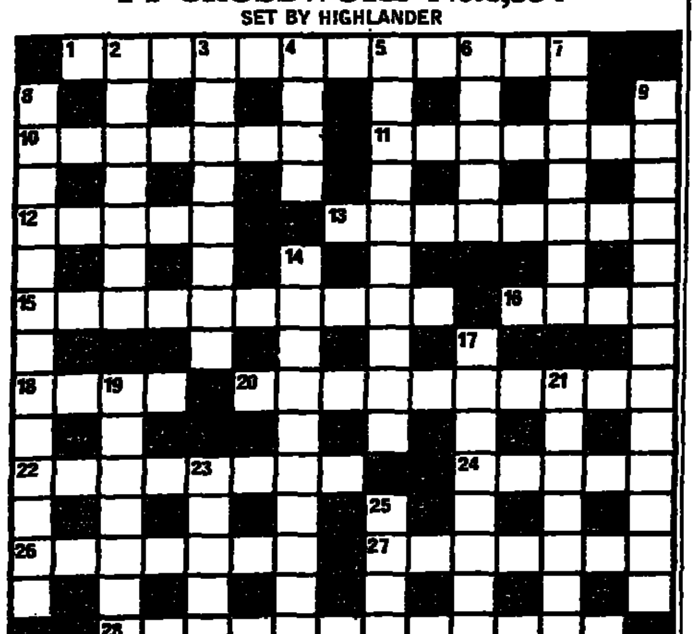
| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 8½ | ● Charterhouse Bank | 8½ | Nat Bk. of Kuwait | 8½ |
| Adam & Company | 8½ | Citibank NA | 8½ | NatWestminster | 8½ |
| AAB - Allied Arab Bk | 8½ | City Merchants Bank | 8½ | Northern Bank Ltd | 8½ |
| Allied Dunbar & Co | 8½ | Clydesdale Bank | 8½ | Norwich Gen. Trust | 8½ |
| Allied Irish Bank | 8½ | Comm.Bk.N.East | 8½ | PK Finans. Intl(UK) | 9 |
| American Exp.Bk | 8½ | Consolidated Cred | 8½ | Provincial Trust Ltd | 9½ |
| Amro Bank | 8½ | Co-operative Bank | *8½ | R. Raphael & Sons | 8½ |
| Henry Ansbacher | 8½ | Cyprus Popular Bk | 8½ | Roxburghe G'rantee | 9½ |
| ANZ Banking Group | 8½ | Duncan Lawrie | 8½ | Royal Bk of Scotland | 8½ |
| Associates Cap Corp | 10 | Equat'l TstCo plc | 8½ | Royal Trust Bank | 8½ |
| Authority Bank | 8½ | Exeter Trust Ltd | 9 | Smith & Williams Secs. | 8½ |
| B & C Merchant Bank | 8½ | Financial & Gen. Sec. | 9 | Standard Chartered | 8½ |
| Banco de Bilbao | 8½ | First Nat. Sec. Ltd. | 9½ | TSB | 8½ |
| Bank Hapoalim | 8½ | ● Robert Fleming & Co. | 8½ | UDT Mortgage Exp. | ◆10.2 |
| Bank Leumi (UK) | 8½ | Robert Fraser & Ptrs. | 9½ | United Bk of Kuwait | 8½ |
| Bank Credit & Comm | 8½ | Girobank | 8½ | United Mizrahi Bank | 8½ |
| Bank of Cyprus | 8½ | Grindlays Bank | 8½ | Unity Trust Bank Plc | 8½ |
| Bank of Ireland | 8½ | ● Guinness Mahon | 8½ | Western Trust | 8½ |
| Bank of India | 8½ | HFC Trust & Savings | 8½ | Westpac Bank Corp. | 8½ |
| Bank of Scotland | 8½ | ● Hambros Bank | 8½ | Whiteaway Laidlaw | 9 |
| Banque Belge Ltd | 8½ | Heritable & Gen Inv Bk | 8½ | Yorkshire Bank | 8½ |
| Barclays Bank | 8½ | ● Hill Samuel | §8½ | | |
| Benchmark Tst Ltd | 8½ | C. Hoare & Co. | 8½ | | |
| Berliner Bank AG | 8½ | Hongkong & Shangh | 8½ | | |
| Brit Bk of Mid East | 8½ | Lloyds Bank | 8½ | | |
| ● Brown Shipley | 8½ | Meghraj Bank Ltd | 8½ | | |
| Business Mtge Tst | 8½ | Midland Bank | 8½ | | |
| Cl. Bank Nederland | 8½ | ● Morgan Grenfell | 8½ | | |
| Central Capital | 8½ | Mount Bnkg Corp. | 8½ | | |

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ◆ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%



## FT CROSSWORD No.6,534

SET BY HIGHLANDER



### ACROSS

1 Back to the countryside – it's a matter of instinct (6,8)
10 Most of the interior is lighter (7)
11 The young one,as related to Elia? (7)
12 Symbol indicating hump on motorway (5)
13 No soldiers follow a retreating general: there's a name for it (8)
15 Converted canoe accepted as OK for sea voyage (5-5)
16 Passage which has dropped a key (4)
18 Head master has little influence (4)
20 Depressed by writer being subject to censorship (4-6)
22 This individual requires a fee by the month (8)
24 It's freezing here in French New Guinea (5)
26 Ideal person to put up English clergyman? (7)
27 Intelligent person will admit it may be the state we're in (7)
28 Match point gone – it showed lack of character (12)

### DOWN

2 It peels off to reveal a letter (7)
3 Grace introduces alternative ending to prayer in New Testament (8)
4 Nip and tuck? (4)
5 Resourceful athlete offers everything or is turned down (3-7)
6 How to demoralise a French servant (5)
7 What race needs some backing when about to go over the snow? (7)
8 Situation leading to defeat for commander at Waterloo? (13)
9 Foolish lie, letting nun out of order (13)
14 Local involved will come round afterwards with deposit (10)
17 School version of disloyalty (8)
19 Influenced by hearing this sort of account (7)
21 It sounds odd putting animal under protection (7)
23 Terriers at one time scampered round the bush (5)
25 There is no point in whistling for bird to come back (4)

**Solution to Puzzle No.6,533**

# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

[illegible]

# FT UNIT TRUST INFORMATION SERVICE

**Scimitar Asset Management Ltd**
8 Crosby Sq, London EC3A 6AQ 01-588 4993/4/5

| | | | | |
|---|---|---|---|---|
| Scimitar Global Gth Ac | 26.5 | 28.2 | — | — |
| Do. Income | 26.3 | 28.0 | — | 0.19 |
| Scimitar European Acc | 21.2 | 22.6 | -0.3 | — |
| Do. Income | 21.2 | 22.6xd | -0.3 | 0.11 |
| Scimitar UK Eq Inc Acc | 35.6 | 37.5 | -0.2 | — |
| Do. Income | 34.1 | 35.9 | -0.2 | 5.55 |
| UK Cap Gth Acc | 22.6 | 23.8 | -0.1 | 0.75 |
| Scimitar Pac Basin Acc | 25.4 | 27.1 | — | — |
| Scimitar Mangd Exempt* | 134.3 | 138.5xd | -2.3 | — |

*Unauthorised

**Scottish Equitable Fund Mgrs. Ltd(2)**
28 St Andrews Sq, Edinburgh 031-556 1051

| | | | | |
|---|---|---|---|---|
| Initial Income Units | 125.8 | 133.8 | +1.8 | 3.27 |
| Initial Accum Units | 192.5 | 204.8 | +2.8 | 3.27 |
| UK General Acc | 37.0 | 39.6 | -0.5 | 3.12 |
| UK General Inc | 35.6 | 38.1 | -0.5 | 3.12 |
| American | 25.8 | 27.6 | -0.1 | 0.64 |
| European | 33.8 | 36.2xd | +0.7 | 0.94 |
| Japan | 52.0 | 55.6 | +0.9 | — |
| Technology | 33.8 | 36.2 | -0.1 | 1.42 |
| Performance Trusts | | | | |
| Far East Perf Tst | 17.2 | 18.4 | — | 0.64 |
| High Inc Perf Tst Inc | 23.5 | 25.1 | -0.2 | 5.37 |
| High Inc Perf Tst Acc | 23.9 | 25.6 | -0.2 | 5.37 |
| Worldwide Tech Perf Tst | 26.8 | 28.7 | +0.2 | — |

**Scottish Life Investments(2)**
19 St Andrew Sq, Edinburgh 031-225 2211

| | | | | |
|---|---|---|---|---|
| Nelson (UK Equity) | 204.5 | 218.8 | -2.9 | 2.75 |
| Columbus (America) | 124.6 | 133.3 | — | 1.59 |
| Marco Polo (Pacific) | 197.5 | 211.1 | — | 0.38 |
| Da Vinci (European) | 208.6 | 223.2 | +1.3 | 1.84 |
| Drake | 49.9 | 53.4 | -0.1 | 2.70 |

**Scottish Mutual Investment Managers Ltd**
109 St Vincent St, Glasgow G2 5HN 041-248 6100

| | | | | |
|---|---|---|---|---|
| UK Equity | 199.5 | 212.5 | — | 2.82 |
| UK Smlr. Cos. Equity | 200.6 | 214.6 | — | 2.29 |
| UK Special Situations | 58.1 | 61.9 | — | 3.09 |
| Income Plus | 51.1 | 54.4 | — | 4.82 |
| European | 153.5 | 163.4 | — | 1.83 |
| Far Eastern | 50.2 | 53.5 | — | 2.28 |
| Japanese † | 48.8 | 52.0 | — | 0.15 |
| North American | 109.9 | 117.0 | — | 1.56 |
| International Growth | 104.5 | 111.8 | — | 2.17 |
| Worldwide Venture | 51.7 | 55.1 | — | [illegible] |

**Trades Union Unit Trust Managers**
100 Wood Street, London EC2 01-606 4355

| | | | | |
|---|---|---|---|---|
| TUUT Jan 04 88 | 201.1 | 211.7 | — | 3.27 |

**Triton Fd Mngrs. Ltd.**
Royal Lda. Hse, Colchester CO1 1RA 0206 764400

| | | | | |
|---|---|---|---|---|
| Triton General | 142.2 | 150.0 | -1.4 | 1.60 |

**Tyndall Unit Trust Managers Limited**
25 Bucklersbury, London EC4N 248 3399

| | | | | |
|---|---|---|---|---|
| Convertible & General | 57.1 | 60.4xd | -0.4 | 6.73 |
| Accum Units | 59.1 | 62.7 | -0.4 | — |
| Income | 78.4 | 83.1 | -0.8 | 4.80 |
| Accum Units | 78.4 | 83.1 | -0.8 | 4.80 |
| Smaller Co's | 86.8 | 92.1 | -0.2 | 1.87 |
| Accum Units | 86.8 | 92.1 | -0.2 | 1.87 |
| UK Growth | 86.6 | 91.8 | -0.9 | 1.80 |
| Accum Units | 86.6 | 91.8 | -0.9 | — |

**UK Unit Trust Managers Ltd**
Worthing Road, Horsham, RH12 1SL 0403 40058

| | | | | |
|---|---|---|---|---|
| British Growth Fd | 85.4 | 90.0 | -0.2 | 2.55 |
| Technical Analysis Fd | 49.6 | 52.8 | +1.3 | 3.29 |

**Unit Trust Account & Mgmt. Ltd**
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers: Henderson Crosthwaite Ltd

| | | | | |
|---|---|---|---|---|
| Friars Hse Cap Fd | 176.2 | 187.4xd | — | 3.61 |
| Friars Hse Inc Fd | 148.5 | 155.1xd | — | 3.87 |

**United Charities Unit Trusts (a)(c)(g)**
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

| | | | | |
|---|---|---|---|---|
| United Charities | 166.1 | 176.6 | -1.5 | 4.40 |

**Vanguard Trust Managers Ltd**
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

| | | | | |
|---|---|---|---|---|
| Gladiators | 168.1 | 178.8 | — | — |
| (Accum Units) | 171.3 | 182.2 | — | 2.34 |
| Far East & Gen | 50.9 | 54.1 | — | 0.25 |
| (Accum Units) | 50.9 | 54.1 | — | — |
| Master Portfolio | 64.719 | 66.376xd | — | 3.06 |
| (Accum Units) | 66.512 | 68.217 | — | — |
| American & Gen | 52.5 | 56.0 | — | 1.86 |
| (Accum Units) | 54.2 | 57.7 | — | — |
| Growth | 207.6 | 220.9 | — | 2.36 |
| (Accum Units) | 321.4 | 331.3 | — | — |
| High Yield | 268.4 | 285.6 | — | 4.51 |
| (Accum Units) | 289.6 | 307.7 | — | — |
| Special Sits | 51.0 | 54.5xd | — | 2.14 |

## INSURANCES

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Provident Institution

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

UK Life Assurance Co Ltd

UK Provident

Windsor Life Assur Co Ltd

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

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# FT UNIT TRUST INFORMATION SERVICE

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1987/88 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 102¼ | 99 | Exch 10½pc '88 | 100 | –⅛ | 10.45 | 8.89 |
| 101 | 98 | Treas 9¾pc Cv '88 | 100 | –⅛ | 9.73 | 9.06 |
| 98¼ | 93 | Transport 3pc '78–88 | 98¼ | | 3.05 | 6.97 |
| 101 | 98 | Treas. 9½pc '88 | 100 | | 9.48 | 9.26 |
| 105 | 101 | Treas 11½pc 1989 | 102xd | | 11.24 | 9.26 |
| 102 | 97 | Treas 9½pc Cnv 1989 | 100 | –⅛ | 9.48 | 9.25 |
| 96 | 89 | Treas 3pc 1989 | 95 | | 3.14 | 6.57 |
| 104 | 99 | Treas 10½pc 1989 | 101 | –⅛ | 10.39 | 9.35 |
| 103 | 98 | Exch 10pc 1989 | 100xd | –⅛ | 9.91 | 9.37 |
| 105 | 100 | Exch 11pc 1989 | 102 | –⅛ | 10.75 | 9.41 |
| 96 | 89 | Treas 5pc 1986–89 | 95 | +⅛ | 5.24 | 7.79 |
| 108 | 99 | Exch 10¼pcCv '89 | 102½ | –⅛ | 10.00 | 8.69 |
| 111 | 104 | Treas 13pc 1990‡‡ | 106 | –⅛ | 12.21 | 9.34 |
| 106½ | 100 | Exch 11pc 1990‡‡ | 103xd | –⅛ | 10.68 | 9.36 |
| 110 | 103 | Exch. 12½pc 1990 | 105 | –⅛ | 11.80 | 9.40 |
| 92 | 84 | Treas. 3pc 1990 | 91 | –⅛ | 3.28 | 7.04 |
| 100 | 93 | Treas 8¼pc 1987–90‡‡ | 98 | –⅛ | 8.37 | 8.92 |
| 52¼ | 50 | Tr. 8pc Cv 1990 (50pd) | 51 | –⅛ | 8.16 | 8.90 |
| 105 | 97 | Treas. 10pcCv 1990 | 102 | –⅛ | 9.86 | 9.39 |
| 91 | 81 | Exch 2½pc 1990 | 88 | –⅛ | 2.81 | 6.79 |
| 110 | 102 | Treas 11¾pc 1991 | 106 | –⅛ | 11.11 | 9.46 |
| 95 | 87 | Funding 5¾pc '87–91‡‡ | 92 | –⅛ | 6.20 | 8.34 |
| 90 | 80 | Treas. 3pc 1991 | 87 | –⅛ | 3.41 | 7.18 |
| 110 | 98 | Treas 10pc Cv '91 ‡‡ | 102 | –⅛ | 9.73 | 9.02 |
| 109 | 101 | Exch. 11pc 1991 | 104 | –⅛ | 10.50 | 9.44 |
| 99 | 91 | Treas. 8pc 1991 | 95 | –⅛ | 8.36 | 9.32 |
| 116 | 107 | Treas 12¾pc 1992‡‡ | 110xd | –⅛ | 11.52 | 9.48 |
| 106 | 97 | Treas 10pc 1992 | 101xd | –⅛ | 9.82 | 9.46 |
| 99 | 90 | Treas. 8pc 1992 ‡‡ | 95 | –⅛ | 8.40 | 9.37 |
| 108 | 99 | Treas 10½pc Cv 1992‡‡ | 103 | –⅛ | 10.14 | 9.47 |
| 86 | 79 | Treas. 3pc 1992 | 84 | +⅛ | 3.57 | 7.30 |
| 115 | 105 | Exch. 12¼pc '92 | 109xd | –⅛ | 11.19 | 9.55 |
| 121 | 110 | Exch 13½pc 1992 | 114 | –⅛ | 11.81 | 9.60 |

Five to Fifteen Years

| 1987/88 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 107 | 97 | Treas 10pc 1993‡‡ | 101 | –⅛ | 9.83 | 9.55 |
| 118 | 107 | Treas 12½pc 1993‡‡ | 111 | –⅛ | 11.17 | 9.65 |
| 95 | 82 | Funding 6pc 1993‡‡ | 90 | +⅛ | 6.66 | 8.20 |
| 125 | 113 | Treas 13¾pc 1993‡‡ | 117 | –⅛ | 11.69 | 9.71 |
| 129 | 117 | Treas 14½pc 1994‡‡ | 121 | –⅛ | 11.91 | 9.69 |
| 124 | 112 | Exch 13½pc 1994 | 116 | –⅛ | 11.55 | 9.80 |
| 107 | 97 | Treas. 10pc Ln. 1994‡‡ | 101 | –⅛ | 9.83 | 9.62 |
| 120 | 106 | Exch. 12½pc 1994 | 112xd | –⅛ | 11.08 | 9.81 |
| 103 | 92 | Treas 9pc 1994‡‡ | 97 | –⅛ | 9.25 | 9.54 |
| 118 | 105 | Treas 12pc 1995 | 110xd | –⅛ | 10.84 | 9.84 |
| 84 | 76 | Exch 3pc Gas 90–95 | 80 | +⅛ | 3.73 | 6.39 |
| 109 | 97 | Exch. 10¼pc 1995 | 102xd | –⅛ | 9.98 | 9.73 |
| 123 | 110 | Treas 12¾pc 1995‡‡ | 115 | –⅛ | 11.02 | 9.82 |
| 130 | 116 | Treas. 14pc '96 | 121xd | –⅛ | 11.49 | 9.97 |
| 102 | 92 | Treas 9pc 1992–96‡‡ | 97 | –⅛ | 9.27 | 9.51 |
| 139 | 123 | Treas 15¼pc 1996‡‡ | 129 | –⅛ | 11.80 | 9.96 |

Over Fifteen Years

## BRITISH FUNDS – Contd

| 1987/88 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 134 | 116 | Exch. 12pc '13–'17 | 124 | –⅛ | 9.57 | 9.47 |

Undated

| 1987/88 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 45 | 39 | Consols 4pc | 42xd | –⅛ | | |
| 41 | 34 | War Loan 3½pc‡‡ | 37 | –⅛ | | |
| 52 | 46 | Conv. 3½pc '61 Aft | 49 | –⅛ | | |
| 34 | 29 | Treas. 3pc '66 Aft | 31 | –⅛ | | |
| 29 | 24 | Consols 2½pc | 26 | –⅛ | | |
| 29 | 24 | Treas. 2½pc | 26 | –⅛ | | |

Index–Linked (1) (2)

| 1987/88 High | Low | Stock | Price £ | + or – | (1) | (2) |
|---|---|---|---|---|---|---|
| 133 | 125 | Treas. 2pc '88(297.1) | 133 | | | |
| 119 | 108 | Do. 2pc '90(333.9) | 118xd | +⅛ | | |
| 101 | 93 | Do. 2pc '92‡‡ (385.8) | 99 | | | |
| 130 | 119 | Do. 2pc '96(267.9) | 127 | –⅛ | | |
| 111 | 96 | Do 2½pc '01 (308.6) | 105 | –⅛ | | |
| 110 | 94 | Do. 2½pc '03(310.7) | 103 | | | |
| 113 | 94 | Do. 2pc '06(274.1) | 104 | | | |
| 108 | 89 | Do. 2½pc '09(310.7) | 97 | –⅛ | | |
| 113 | 93 | Do. 2½pc '11(294.1) | 101xd | –⅛ | | |
| 95 | 76 | Do. 2½pc '13(351.9) | 83xd | –⅛ | | |
| 103 | 83 | Do. 2½pc '16(322.0) | 90xd | –⅛ | | |
| 101 | 81 | Do. 2½pc '20 (327.3) | 88 | –⅛ | | |
| 86 | 68 | Do. 2½pc '24 ‡‡(385.3) | 74 | –⅛ | | |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, ie 8 months prior to issue. RPI for May 1987: 101.9 and for December 1987: 103.3
(rebased at 100 January 1987 conversion factor 3.945).

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

| 1987/88 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 113 | 97 | African Dv Bk 11¼Ln 2010 | 103 | –⅛ | | |
| 109 | 93 | Asian Dev Bk 10¼pcLn2009 | 98 | –⅛ | | |
| 136 | 117 | Australia 13½pc 2010 | 123xd | –⅛ | | |
| 118 | 100 | Do. 11¾pcLn2015 | 106 | –⅛ | | |
| 115 | 99 | Euro Inv Bk 11pc Ln 2002 | 105 | –⅛ | | |
| 110 | 94 | Do. 10¼pc2004 | 101 | –⅛ | | |
| 126 | 109 | Int–Am Dev Bk 12½pc 2003 | 115 | –⅛ | | |
| 104 | 88 | Do. 9¾pcLn 2015 | 93 | –⅛ | | |
| 97 | 83 | Mlysia 10¾pcLn 2009 | 89xd | –⅛ | | |
| 115 | 98 | NZ 11¼pc 2008 | 104 | –⅛ | | |
| 123 | 100 | Do 11½pc 2014 | 106 | –⅛ | | |
| 130 | 100 | Sweden 13½pc Ln 2010 | 124xd | –⅛ | | |
| 102 | 87 | Utd. Mexican States 16½pc 2008 | 99 | +⅛ | | |

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

Public Board and Ind.

Financial

## FOREIGN BONDS & RAILS

## AMERICANS

Continued on next page

## Money Market Trust Funds

## Money Market Bank Accounts

# LONDON SHARE SERVICE

## AMERICANS — Contd

| 1987/88 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 39 | 21 | Rep NY Corpn $5 | 25¼ | +⅛ | $1.16 | – | 2.5 |
| 18¾ | 8¼ | Rockwell Intl. $1 | 9⅞ | –¼ | 66c | – | 3.7 |
| 30½ | 16¼ | Sara Lee $1(1/3) | 20½xd | –⅛ | $1.00 | – | 2.7 |
| 11¼ | 8¼ | Saul (B. F.) $1 | 9⅛xd | –⅛ | 20c | – | 1.2 |
| 27½ | 21¼ | Southwestern Bell $1 | 20½ | | h$2.32 | – | 6.2 |
| 22⅛ | 994p | Staley Continental | 12⅛ | –⅛ | 80c | – | 3.6 |
| 44½ | 21⅝ | Sun Co. Inc. $1 | 29¼ | –¼ | $3.00 | – | 5.6 |
| 42¼ | 22⅛ | TRW Inc. $0.625 | 26⅞ | | h$1.60 | – | 3.3 |
| 37⅛ | 21 | Tenneco $5 | 22⅝xd | +⅛ | $3.04 | – | 7.4 |
| 220 | 149½ | Do. 10pcLn.Stk. 91–5 | 156 | | 10% | – | f14.7 |
| 29⅞ | 15⅞ | Texaco $6.25 | 21⅛ | +⅛ | $3.00 | – | 7.8 |
| 74½ | 36½ | Time Inc. $1 | 46⅛ | +¼ | $1.00 | – | 1.2 |
| 30¾ | 15 | Transamerica $1 | 17⅜ | | $1.84 | – | 5.7 |
| 14¾ | 1¼ | Transworld Corp $5 | 839p | –22 | 20c | – | 1.3 |
| 27⅛ | 12¼ | TRINOVA Corp | 17¼ | +⅛ | 56c | – | 1.8 |
| 24⅛ | 12⅝ | ♥USX $1 | 18 | +¼ | $1.20 | – | 3.7 |
| 37⅛ | 16¾ | Utd. Technologies | 20 | –⅜ | $1.40 | – | 3.8 |
| 38⅝ | 25⅞ | US West♦ | 28⅞ | –½ | $3.28 | – | 6.2 |
| 30½ | 17⅛ | Waste Management $1 | 20⅝ | –½ | – | – | – |
| 31⅛ | 11⅝ | Whirpool $1.0 | 14½ | –⅛ | – | – | – |
| 37⅛ | 16½ | ♥Woolworth $3½ | 20⅞ | +⅛ | $1.32 | – | 3.5 |

## CANADIANS

| 1987/88 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 691p | 227p | ABM Gold Corp ♦ | 290p | +11 | – | – | – |
| 26⅛p | 10p | ♥Abbot Energy Corp | 17½p | | – | – | – |
| 18⅝ | 506p | ♥Amer. Barrick Res | 11¼ | –¼ | – | – | – |
| 141p | 4p | American Lightwave | 5p | | – | – | – |
| 122p | 33p | ♥Armeno | 46p | +2 | – | – | – |
| 117p | 39½p | Augmitto Expln | 72½p | | – | – | – |
| 19⅝ | 10⅝ | Bk. Montreal ♦ | 11⅜ | +¼ | $2.00 | – | 7.1 |
| 10½ | 488p | Bk. Nova Scot.♦ | 586p | +5 | 72c | – | 5.1 |
| 20⅝ | 15 | BCE ♦ | 16⅛ | +⅛ | $2.40 | – | 6.2 |
| 10⅝ | 511p | ♥Bow Valley♦ | 662p | +15 | ♦40c | – | 2.5 |
| 20 | 10⅛ | ♥Brascan♦ | 11⅛ | +¼ | 88c | – | 3.3 |
| 609p | 186p | ♥Breakwater Res | 197p | | 10c | – | 2.1 |
| 11⅝ | 734p | Can Imp.Bk. $2 | 871p | | $1.08 | – | 5.2 |

[illegible]

## BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS — Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES — Contd

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING — Contd

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.) — Contd

[illegible]

## INDUSTRIALS (Miscel.) — Contd

[illegible]

## INSURANCES

[illegible]

# LONDON SHARE SERVICE

## INSURANCES – Contd

## LEISURE

## MOTORS, AIRCRAFT TRADES

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PAPER, PRINTING, ADVERTISING – Contd

## PROPERTY

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TEXTILES – Contd

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

## TRUSTS, FINANCE, LAND – Contd

### Finance, Land, etc

## OIL AND GAS

## OIL AND GAS – Contd

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

## MINES – Contd

### Tins

### Miscellaneous

## THIRD MARKET

| High | Low | Stock | Price | + or – | Div Net | C'vr | Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 130 | 95 | M.L. Laboratories 1p | 110 | | – | – | – | – |
| 180 | 87 | Medirace 10p | 91 | | – | – | – | – |
| 98 | 38 | ♦Ovoca Gold IR 2p | 50 | +2 | – | – | – | – |
| 48 | 38 | Propeller 1p | 41 | | W– | – | – | 12.8 |
| *82 | 17 | Publishing Hldgs 5p | 26xr | –4 | – | – | – | 15.6 |
| 128 | 76 | Seacon Hldgs | 76 | –2 | – | – | – | 11.6 |
| 26 | 18 | Stats Hldgs. 5p | 21 | –2 | – | – | – | 53.7 |
| 87 | 38 | Theme Holdings | 55 | –2 | 1.0 | 1.9 | 2.5 | 29.5 |
| 36 | 28 | Tomorrows Leisure 20p | 31 | | – | – | – | 12.4 |
| 210 | 130 | UPL Group 10p | 135 | +3 | L2.41 | 2.8 | 2.4 | 20.2 |
| 140 | 103 | Unk Group | 125 | | R4.6 | 2.5 | 5.0 | (9.0) |
| 85 | 85 | Video Tape Recording 5p | 85 | | L2.3 | 2.3 | 3.7 | 12.2 |

### NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- \# Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- § No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p | 68 | |
| Craig & Rose £1 | 638 | |
| Finlay Pkg. 5p | 78 | |
| Holt (Jos) 25p | £11½ | |
| IoM Stm. £1 | 259 | |

### IRISH

| | | |
|---|---|---|
| Fund 11¼% 1988 | £100⅝ | |
| Nat. 9¾% 84/89 | £100¼ | |
| Fin. 13% 97/02 | £113⅛ | |
| Arnotts | 310 | |
| CPI Hldgs | 80 | |
| Carrol Inds | 152xd | |
| Hall (R. & H.) | 105 | |
| Helton Hldgs | 45 | |
| Irish Ropes | 120 | |
| Unidare | 300 | |

## TRADITIONAL OPTIONS

3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 42 |
| Amstrad | 20 |
| BAT | 57 |
| BOC Grp | 46 |
| BSR | 13 |
| BTR | 33 |
| Barclays | 52 |
| Beecham | 52 |
| Blue Circle | 44 |
| Boots | 28 |
| Bowaters | 41 |
| Brit Aerospace | 42 |
| Brit. Telecom | 28 |
| Burton Ord | 32 |
| Cadburys | 38 |
| Charter Cons | 41 |
| Comm Union | 40 |
| Courtaulds | 42 |
| FKI Babcock | 14 |
| FNFC | 31 |
| Gen Accident | 105 |
| GEC | 22 |
| Glaxo | 155 |
| Grand Met | 50 |
| GUS 'A' | 150 |
| Guardian | 110 |
| GKN | 36 |
| Hanson | 19 |
| Hawker Sidd | 55 |
| ICI | 145 |
| Jaguar | 42 |
| Ladbroke | 40 |
| Legal & Gen | 33 |
| Lex Service | 35 |
| Lloyds Bank | 30 |
| Lucas Inds | 62 |
| Marks & Spencer | 24 |
| Midland Bk | 47 |
| Morgan Grenfell | 37 |
| NEI | 15 |
| Nat West Bk | 67 |
| P & O Dfd | 65 |
| Plessey | 20 |
| Polly Peck | 36 |
| Racal Elect | 30 |
| RHM | 40 |
| Rank Org Ord | 65 |
| Reed Intnl | 50 |
| STC | 29 |
| Sears | 18 |
| TI | 35 |
| TSB | 16 |
| Tesco | 22 |
| Thorn EMI | 64 |
| Trust Houses | 28 |
| T&N | 22 |
| Unilever | 62 |
| Vickers | 22 |
| Wellcome | 47 |
| **Property** | |
| Brit Land | 32 |
| Land Securities | 55 |
| MEPC | 54 |
| Peachey | 47 |
| **Oils** | |
| Brit Petroleum | 33 |
| Britoil | 28 |
| Burmah Oil | 52 |
| Charterhall | 7 |
| Premier | 10 |
| Shell | 135 |
| Tricentrol | 15 |
| Ultramar | 24 |
| **Mines** | |
| Cons Gold | 125 |
| Lonrho | 29 |
| RTZ | 48 |

A selection of Options traded is given on the London Stock Exchange Report Page

# LONDON STOCK EXCHANGE

| | | | |
|---|---|---|---|
| Account Dealing Dates | | | |
| | Option | | |
| *First Dealings | Declarations | Last Dealings | Account Day |
| Dec 21 | Jan 7 | Jan 8 | Jan 18 |
| Jan 11 | Jan 21 | Jan 22 | Feb 1 |
| Jan 25 | Feb 4 | Feb 5 | Feb 15 |

*New time dealings may take place from 9.30 am two business days earlier.

## Widespread falls in equities as cautious mood brings easier trend in Gilts

THE UK SECURITIES markets turned in a dismal performance yesterday after the disclosure of the latest monthly surplus on Japan US trade re-awakened nervousness over prospects for the dollar. Equities fell sharply on the expectation of a poor opening on Wall Street but closed above the worst levels. Profit-taking in Government bonds intensified towards the close as Dr Henry Kaufman, the departing economics guru at Salomon Bros, the US securities and banking firm, was believed to have warned a London seminar that interest rates could soon head upwards.

Statistics on the domestic economy continued to discourage the equity market. November falls of 0.5 per cent in UK manufacturing output and of 0.35 per cent in industrial output gave fresh indication of a sluggish economy. However, the announcement of a Public Sector Borrowing Requirement of £248m for December had little impact on Gilts.

The FT-SE 100 Index closed 22 down at 1768, having rallied from a mid-session level of 1757.4. Turnover showed a slight increase, with 344.2m shares traded by 5.00pm.

The fall in the equity sector, while not of great proportion by recent standards, was accompanied by bearish noises from the marketplace. The surplus on Japan's trade with the US cast a shadow ahead of the US trade figures for December, due in about three weeks. And, on the domestic front, the City is cautious ahead of the Government White Paper on Expenditure, expected today, and the latest UK money supply statistics due tomorrow.

The lack of turnover appears to indicate the absence of buying support from the institutions, according to Mr Michael Howell of Salomon Bros. The US securities firm has monitored cash inputs to the London market since the turn of the year, and calculates the daily average at only £10m – barely one tenth of bull market levels.

Losses were well scattered among the international favourites. **Shell**, **ICI**, **Glaxo** and **Unilever** all closed well on the downside, although none of these major names suffered any significant selling pressure.

The leading oil stocks had a quieter session as speculative interest switched to some of the second-liners. Financial stocks were easier as bearish comment from brokerage houses suggested that fresh loan provisions will hit the earnings figures due next month.

The gains chalked up by Government bonds over the past week brought in profit-taking sellers as the market began to shy away ahead of the UK money supply statistics. The PSBR figure was not too far from market estimates, and thus had little direct impact. Some houses, however, had hoped for a zero PSBR figure.

Traders said that sellers were at first met by some retail buying, which led to a healthy two-way trade for most of the day. Demand was sufficient to draw off some of the two new tranchettes from the Bank, which were offered at the market opening.

Most of the £150m 9½ per cent Conversion '05 was taken up after the bank responded to tenders by selling stock at 99¼ and then at 99⅞. The £300m of Treasury 8 per cent '92 attracted less attention but was sold by the bank at 95½.

There was a sell-off in late dealings when US bonds stumbled, and net losses of ¾ were marked throughout the range by the end of the day.

Index-linked had an erratic session, moving up sharply at first despite this week's indications of reduced inflationary pressures. But prices came off the top when, as so often recently, downward pressure on the conventionals sparked selling of IL issues, which ended with net gains of only ⅛ or so.

**Calor Group** wrested from Britoil, BP, Enterprise et al, the accolade of dominating attention in the oil sector, after disclosure of a complicated deal with Dutch group SHV and Carless Capel. Calor Group shares and those of Carless Capel were barely traded first thing as word of the proposed deal went round the market.

After the terms of the deal were announced, however, **Calor** opened at 520p and raced up to 542p before easing to close a net 40 up at 530p. Capel began at 114p but ended the session 8½ higher on balance at 114p.

After the various angles of the deal had been untangled a leading analyst in the oil sector said " After a long hard look, this is good for Calor, but I'm less enthusiastic as far as Carless are concerned".

Other oil and gas shares were upset by the general retreat by equities but tended to close above the lows as oil pricesresponded to a denial by the UAE oil ministry that it had been offering discounts to Japanese customers.

Reports that an encouraging oil strike on block 9/23b could well be announced this week or when the Britoil defence document is issued failed to sustain Britoil shares which eased 3 to 454p. BP "old" dipped 5 to 252p and the "new" 1½ to 75p.

**Ultramar** eased a couple of pence to 215p but dealers said there was little in the way of selling pressure after the heavy buying interest of recent days. Profit-taking lowered **Enterprise** 7 to 284p and **LASMO** dropped 8 to 313p.

Activity in **Pilkington**, the St Helens based glass company, fell away further as recent speculation that BTR may make a new offer for the company began to wane.

A number of market commentators are taking the view that BTR is unlikely to return to the fray and the Pilkington share price drifted back to close 8 down at 240p in a volume of around 3.3m shares. This compares with 4.3m on Monday and around 10m last Friday – but some traders in the stock are not wholly convinced.

**Cable & Wireless** were a particularly weak market in the electricals sector and closed a net 12 lower at 363p after a turnover of 4m shares.

The downturn followed a recommendation by Mark Loveland's electronics team at Warburg Securities for clients to "reduce" their holdings in the stock. C & W have outperformed by 9.5 per cent over the month, Warburgs say, and "Can only underperform from here".

**National Home Loans**, the quoted mortgage loans investment group, weakened after the proposal to raise around £97m net via the issue of some 100m new Convertible preference shares of £1 each at par. These have been conditionally placed with institutional and other investors but, under the terms of an open offer, they will first be made available to shareholders and loan stockholders at par. The issue is subject to shareholders approval. National Home Loans existing ordinary shares closed 8 down at 150p.

Bank shares retreated with **Barclays Bank** a notable weak spot and finally 11 off at 488p following market rumours that the bank is about to launch a $1.2 bn bid for Irving Bank Corp of the US currently under seige from Bank of New York.

**Lloyds** remained very active and dipped back 9 to 253p as the recent buying interest dried up. **NatWest** were a steady market, however, and settled 4 higher at 598p.

**TSB** were unsettled by a "sell" recommendation by Kleinwort Grieveson whose Norrie Morrison and Graham Moyse say "It is difficult to see any earnings growth next year – in fact we are forecasting a fall in earnings per share from 14.9p to 14.5p". **Standard Chartered** lost 10 to 510p despite the Bank of England statement on the Lloyds bid.

Life assurances were mostly easier except for **Sun Life** which rose 10 more to 983p on the recent good new life figures. Composites showed **Sun Alliance** still buffeted by the recent downgradings and finally 17 lower at 812p. **Hogg Robinson Gardener** hardened to 154p but the excitement remained in **Hogg Robinson Travel** which jumped 15 more to 265p, after 276p amid stories that **TSB** could well renew its bid for the company from February 1.

**Vaux**, the Northern brewing group, became a prime target for a bid or demerger when attention was drawn to its undoubted break-up appeal. Considerable interest was aroused with persistent demand for the shares leading to a squeeze on market supplies of stock, a situation reflected in the share price rise of 17 to 505p. Some thwarted investors turned to **Wolverhampton & Dudley**, up 9 at 375p, as a second choice while a light demand took **Young & Co. "A"** higher by 8 to 363p.

Leading Brewers hovered around the overnight positions with the exception of **Guinness**. Commencement of the legal action by Guinness asking the High Court to overturn a Takeover Panel ruling made during the last stakes of the bid for Distillers exerted downward pressures and the shares fell 10 to 297p.

**Matthew Clark**, the wines and spirit distributor, which has been under a cloud since the contested battle for the French Martell group, enjoyed slightly brighter conditions. Profits for the half-year of £2.9m were higher than anticipated but the major prop was the chairman's accompanying statement. He said "until ownership of Martell has been resolved, it is not possible to state what the eventual arrangements for the distribution of the brand will be. Whatever the outcome, the Matthew Clark group is a broadly based business and the directors are confident of continued growth in the future". In reply the shares edged away from the recent 1987/88 low to close 6 firmer at 338p.

Interest in the Building sector failed to expand from the recent low levels. Among the occasional movements, **Bellway** firmed 3 to 214p in response to the company's report of a dramatic increase in house sale activity in the North of England. **Steetley** held firm at 317p helped by news of the agreement to acquire Societe Carrieres De La Meilleraie, one of the leading French aggregate producers for around £25.7m cash. Acquisition news also assisted **John Mowlem** which firmed a few pence to 381p.

Among Chemicals, **ICI** remained a friendless market and drifted back in quiet trading to close ⅝ lower at £11¼. **Amersham**, a recent bid favourite, ran back 4 to 410p.

Interest in retailers was centred largely on **Marks and Spencer** which attracted a turnover of more than 7.1m shares with a large selling order said to have been well absorbed at the lower level of around 177p before sustained buying interest brought the share price back up to 180p – a net fall of a penny. Other leading stores were left with marginal losses over the session. **Woolworths** lost 6 to 254p after announcing an agreed 110p a share bid for Tip Top Drugstores, valuing the latter at £13m; dealers and analysts agreed the deal looked good for both parties given the disappointing profits released by Tip Top.

Second-line electricals contained numerous features, notably **Eurotherm** which settled 7 higher at 311p, after 315p, after the preliminary profits which outstripped the most optimistic forecasts. **Multitone** soared to 79p on the bid approach from Blick- conditional on Multitone board approval but dipped back to close only 4 up at 67p after the rejection of the offer by the Multitone board. More than doubled profits lifted **Electron House** 13 to 138p.

**ASDA-MFI** suffered as analysts took a negative view of prospects after Monday's first-half results and advised a switch into Tesco or other food retailers. A fair trade built up – over 4m shares were traded – but with sellers having the edge the ASDA price eased 2½ to 170p. **Tate & Lyle** encountered profit-taking and gave up 13 at 774p but speculative demand helped **FII-Fyffes** rise 5 to 93p. **Trusthouse Forte** were afforded only a "hold" recommendation following assessment of the previous day's preliminary statement, but the shares enjoyed a two-way pull which left the shares fractionally harder on balance at 219p. Volume totalled 5.3m shares. **Hard Rock International** rebounded after Monday's setback to end 14 up at 108p.

The major internationals passed another drab trading session. Losses, however, were usually modest despite the lack of a firm lead from Wall Street in the early dealings yesterday. **Beecham** were one of the hardest hit stocks, closing 8 cheaper at 460p in response to a sell recommendation from Salomon Brothers, the international securities house. **Hanson** drifted back 4½ to 135½p in a volume of some 7m shares following the annual meeting while **Glaxo** closed ⅛ lower at £10¼.

Elsewhere, **Jacksons Bourne End** featured a jump of 31 at 469p in the wake of the bid for the minority at 445p per share from Select Country Hotels. Select proposes to keep the listing of JBE and Mr. J. Gulliver will be appointed to the board as non-executive chairman. Among the anti/Aids stocks, **Wellcome** reacted 8 to 392p and **London International** a similar amount to 282p. **Pearson** reacted 15 to 728p as News Corporation formally stated that it had no present intention of increasing its aggregate holding in Pearson above 25 per cent or making an offer for the company. **Rank Organisation** firmed a few pence more in anticipation of the preliminary figures expected shortly.

The good run in **Lucas Industries** was reversed as sellers, probably profit-takers, became more active and the close was 14 lower at 610p. Other Motor issues also lost ground with **Jaguar** easing 9 to 333p and **Rover** falling 5 to 69p. Recently- strong **Lex Service** was another casualty, down 7 at 317p, while **D.C.Cook**, which disclosed increased first-half profits on Monday, came back 15 to 183p.

US influences together with fading bid hopes leaned on **Reed International**, which ended 15 lower at 415p, while **United Newspapers** lost 8 to 437p. **Adscene** provided a rare splash of colour, rising 13 to 103p on impressive interim profits plus a full-year dividend forecast.

**Courtaulds** was among the many blue chip issues to be affected by currency influences. After a relatively quiet trade, the shares ended 9 off at 342p, while **Dawson International** slipped 5 to 209p and **Lamont** eased back 5 to 284p.

Most Investment Trusts went lower as the underlying securities fell but several miscellaneous Financials resisted the trend. Revived expansion hopes lifted **AC Holdings** 13 to 386p while renewed buying boosted **London Merchant Securities** 5 to 103p. **Parrish** weakened 23 to 335p and fund management groups too gave ground. **GT** lost 8 to 150p and **Henderson Administration** 40 to 700p

Close followers of Overseas Traders descended on **Inchcape** following recommendations recently from a couple of investment houses and the shares bucked the trend with a rise of 13 to 649p. Elsewhere, demand in a restricted market raised **REA Holdings** 14 to 1378p.

### FINANCIAL TIMES STOCK INDICES

| | Jan. 19 | Jan. 18 | Jan. 15 | Jan. 14 | Jan. 13 | Year Ago | 1987/88 High | 1987/88 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 88.19 | 88.45 | 87.96 | 87.56 | 86.97 | 85.53 | 93.32 (8/5/87) | 83.73 (19/10/87) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 94.44 | 94.42 | 94.55 | 94.44 | 94.46 | 91.65 | 99.12 (15/6/87) | 90.23 (2/1/87) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1423.0 | 1440.1 | 1436.7 | 1398.7 | 1341.1 | 1399.0 | 1926.2 (16/7/87) | 1232.0 (9/11/87) | 1926.2 (16/7/87) | 49.4 (26/6/40) |
| Gold Mines | 284.1 | 283.4 | 294.5 | 284.1 | 286.1 | 333.4 | 497.5 (4/8/87) | 261.6 (6/11/87) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 4.39 | 4.33 | 4.33 | 4.45 | 4.48 | 4.09 | | | | |
| Earnings Yld. %(full) | 10.99 | 10.85 | 10.83 | 11.14 | 11.21 | 9.59 | | | | |
| P/E Ratio (net)(*) | 11.15 | 11.30 | 11.32 | 11.00 | 10.93 | 12.78 | | | | |
| SEAQ Bargains (5pm) | 23,749 | 29,870 | 27,832 | 20,191 | 20,826 | 38,294 | | | | |
| Equity Turnover (£m) | - | 991.43 | 1092.57 | 990.56 | 858.29 | 1244.47 | | | | |
| Equity Bargains | - | 31,655 | 26,753 | 21,104 | 22,624 | 50,127 | | | | |
| Shares Traded (ml) | - | 436.3 | 431.8 | 314.2 | 371.8 | 482.9 | | | | |

| S.E. ACTIVITY Indices | Jan.18 | Jan.15 |
|---|---|---|
| Gilt Edged Bargains | 138.5 | 138.6 |
| Equity Bargains | 205.1 | 173.3 |
| Equity Value | 2003.9 | 2208.0 |
| 5-Day average | | |
| Gilt Edged Bargains | 125.9 | 120.7 |
| Equity Bargains | 165.1 | 164.8 |
| Equity Value | 1931.5 | 1932.6 |

| ♥ Opening | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1431.0 | 1423.8 | 1427.9 | 1426.2 | 1425.3 | 1423.9 | 1416.0 | 1419.7 |

Day's High 1431.4 Day's low 1415.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=11.04.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

### NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (4).

BRITISH FUNDS (1) Treas. 8¾pc Ln. "C" 1987 (£50pd), AMERICANS (1) Premark Intl., INDUSTRIALS (1) Mayne Nickless, TRUSTS (1) River & Mercantile Stepped Pref.

NEW LOWS (14).

AMERICANS (1) Image Storage/Ret. Syst., ELECTRICALS (1) Ross, FOODS (2) Barker & Dobson, Dalepak Foods, PROPERTY (1) Clayform Props. Warrants, TRUSTS (3) German Securities Warrants, Temple Bar Spc. Cnv. Uns. Ln. 2002, OVERSEAS TRADERS (1) GN Great Nordic, MINES (5) Durban Deep, Randfontein Ests., Harmony, Emperor Mines, Ayer Hitam, THIRD MARKET (1) Gleecon.

### Traditional Options

- First dealings Jan 18
- Last dealings Jan 29
- Last declarations Apr 21
- For Settlement May 3

*For rate indications see end of London Share Service*

A relatively lively interest developed in the Traditional option market. Stocks dealt in for the call included **Theme Holdings**, **Amalgamated Financial Investments**, **Pavion**, **Inococ**, **Plysu**, **Ossory Estates**, **AFI**, **Pressac**, **Joseph Webb**, **British Petroleum new**, **Ragalan Property**, **Ferranti** and **Ashley Industrial Trust**. No put or double options were reported.

## FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Tuesday January 19 1988 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at 27%) | Est. P/E Ratio (Net) | xd adj. 1988 to date | Mon Jan 18 Index No. | Fri Jan 15 Index No. | Thu Jan 14 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (208) | 743.60 | -0.8 | 9.67 | 3.89 | 12.96 | 0.15 | 749.53 | 743.64 | 732.61 | 750.79 |
| 2 Building Materials (30) | 982.81 | -0.9 | 10.03 | 3.83 | 12.40 | 0.43 | 991.68 | 982.49 | 961.68 | 918.75 |
| 3 Contracting, Construction (33) | 1444.05 | -0.6 | 9.35 | 3.47 | 14.23 | 0.38 | 1454.80 | 1425.97 | 1407.57 | 1284.63 |
| 4 Electricals (12) | 2043.36 | -0.9 | 9.13 | 4.73 | 14.19 | 0.00 | 2062.15 | 2040.27 | 1998.43 | 1922.56 |
| 5 Electronics (32) | 1530.06 | -0.7 | 10.43 | 3.40 | 12.51 | 0.00 | 1540.24 | 1530.44 | 1514.90 | 1656.63 |
| 6 Mechanical Engineering (57) | 383.93 | -0.9 | 9.70 | 4.29 | 13.00 | 0.14 | 387.36 | 386.39 | 379.28 | 410.49 |
| 8 Metals and Metal Forming (7) | 450.05 | -0.9 | 9.56 | 3.73 | 12.61 | 0.00 | 454.18 | 455.15 | 453.33 | 481.66 |
| 9 Motors (13) | 277.71 | -2.3 | 10.83 | 4.19 | 10.74 | 0.00 | 284.28 | 281.00 | 273.34 | 291.87 |
| 10 Other Industrial Materials (24) | 1261.31 | -1.0 | 8.26 | 4.12 | 14.37 | 0.13 | 1273.68 | 1254.77 | 1236.73 | 1281.23 |
| 21 CONSUMER GROUP (185) | 1083.26 | -0.9 | 8.57 | 3.58 | 14.86 | 0.23 | 1093.14 | 1083.30 | 1071.13 | 1089.03 |
| 22 Brewers and Distillers (21) | 981.57 | -0.9 | 11.31 | 4.01 | 11.22 | 0.62 | 990.13 | 990.34 | 971.43 | 945.25 |
| 25 Food Manufacturing (23) | 844.42 | -1.0 | 9.12 | 3.82 | 13.66 | 1.06 | 853.73 | 856.99 | 837.93 | 776.39 |
| 26 Food Retailing (16) | 2079.09 | - | 7.75 | 2.95 | 17.15 | 0.00 | 2078.46 | 2108.18 | 2044.96 | 1982.71 |
| 27 Health and Household Products (10) | 1780.87 | -1.5 | 6.59 | 2.52 | 18.10 | 0.00 | 1807.61 | 1806.09 | 1743.49 | 1774.14 |
| 29 Leisure (31) | 1179.09 | -0.3 | 7.76 | 3.98 | 16.06 | 0.00 | 1183.22 | 1176.47 | 1151.84 | 1099.77 |
| 31 Packaging & Paper (16) | 498.66 | -1.0 | 8.51 | 3.68 | 15.47 | 0.24 | 503.71 | 500.64 | 492.24 | 542.65 |
| 32 Publishing & Printing (16) | 3426.23 | -1.9 | 6.50 | 4.30 | 19.45 | 3.39 | 3494.24 | 3468.94 | 3407.87 | 3086.84 |
| 34 Stores (35) | 834.85 | -0.5 | 9.03 | 3.63 | 14.86 | 0.81 | 839.35 | 834.86 | 822.82 | 884.89 |
| 35 Textiles (17) | 571.10 | -2.5 | 11.09 | 3.96 | 10.40 | 0.00 | 586.35 | 598.52 | 577.58 | 601.20 |
| 40 OTHER GROUPS (92) | 875.31 | -1.5 | 10.49 | 4.21 | 11.85 | 0.03 | 888.35 | 884.12 | 857.54 | 867.29 |
| 41 Agencies (19) | 1109.78 | -1.2 | 6.55 | 2.15 | 19.57 | 0.07 | 1123.47 | 1116.28 | 1066.53 | 1194.77 |
| 42 Chemicals (20) | 1077.89 | -2.1 | 9.47 | 4.35 | 12.96 | 0.14 | 1100.48 | 1128.82 | 1077.48 | 1111.33 |
| 43 Conglomerates (13) | 1175.42 | -1.8 | 10.51 | 4.44 | 11.36 | 0.00 | 1196.67 | 1186.39 | 1156.78 | 1171.12 |
| 45 Shipping and Transport (11) | 1819.64 | -0.6 | 9.18 | 4.51 | 14.26 | 0.00 | 1830.72 | 1818.62 | 1784.54 | 1663.24 |
| 47 Telephone Networks (2) | 925.40 | -1.4 | 11.64 | 4.57 | 11.44 | 0.00 | 938.08 | 923.91 | 896.80 | 868.34 |
| 48 Miscellaneous (27) | 1165.84 | -1.2 | 12.94 | 4.05 | 9.21 | 0.00 | 1180.05 | 1173.33 | 1147.46 | 1185.34 |
| 49 INDUSTRIAL GROUP (485) | 926.49 | -1.0 | 9.38 | 3.83 | 13.43 | 0.17 | 936.28 | 932.88 | 913.56 | 915.66 |
| 51 Oil & Gas (15) | 1715.22 | -1.4 | 9.69 | 5.74 | 12.73 | 0.00 | 1743.19 | 1739.16 | 1699.86 | 1604.94 |
| 59 500 SHARE INDEX (500) | 993.34 | -1.1 | 9.43 | 4.09 | 13.31 | 0.16 | 1004.60 | 1001.22 | 978.74 | 973.98 |
| 61 FINANCIAL GROUP (124) | 654.15 | -1.0 | - | 4.88 | - | 0.11 | 660.64 | 658.74 | 648.87 | 652.29 |
| 62 Banks (8) | 668.65 | -0.6 | 19.80 | 5.87 | 6.67 | 0.00 | 673.01 | 674.08 | 658.46 | 731.76 |
| 65 Insurance (Life) (8) | 977.68 | -0.8 | - | 4.15 | - | 0.00 | 985.91 | 975.67 | 955.44 | 918.09 |
| 66 Insurance (Composite) (7) | 507.16 | -1.5 | - | 5.43 | - | 0.00 | 515.10 | 514.88 | 504.61 | 488.58 |
| 67 Insurance (Brokers) (8) | 926.14 | -1.3 | 11.98 | 4.21 | 10.68 | 0.00 | 938.29 | 934.45 | 928.57 | 1204.38 |
| 68 Merchant Banks (11) | 353.15 | - | - | 4.84 | - | 0.00 | 353.19 | 355.19 | 343.43 | 415.59 |
| 69 Property (52) | 982.34 | -1.2 | 5.32 | 3.08 | 25.98 | 0.10 | 998.49 | 993.09 | 981.50 | 833.19 |
| 70 Other Financial (30) | 393.65 | -1.3 | 9.30 | 4.22 | 13.58 | 0.64 | 398.68 | 399.89 | 395.46 | 481.15 |
| 71 Investment Trusts (86) | 833.33 | -1.5 | - | 3.06 | - | 0.32 | 845.40 | 836.11 | 818.60 | 912.66 |
| 81 Mining Finance (2) | 447.84 | -1.7 | 10.15 | 3.41 | 11.10 | 0.00 | 455.61 | 453.40 | 455.41 | 374.24 |
| 91 Overseas Traders (8) | 1023.65 | +0.1 | 9.37 | 4.94 | 12.60 | 0.00 | 1022.57 | 1010.84 | 997.34 | 838.56 |
| 99 ALL-SHARE INDEX (720) | 902.50 | -1.1 | - | 4.17 | - | 0.15 | 912.60 | 909.36 | 890.22 | 887.75 |

| | Index No. | Day's Change | Day's High | Day's Low | Jan 18 | Jan 15 | Jan 14 | Jan 13 | Jan 12 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX ♦ | 1768.0 | -22.0 | 1779.4 | 1757.6 | 1790.0 | 1786.7 | 1749.4 | 1733.4 | 1739.2 | 1778.9 |

### FIXED INTEREST

| PRICE INDICES | Tue Jan 19 | Day's change % | Mon Jan 18 | xd adj. today | xd adj. 1988 to date |
|---|---|---|---|---|---|
| British Government | | | | | |
| 1 5 years | 122.13 | -0.09 | 122.49 | 0.25 | 1.08 |
| 2 5-15 years | 137.81 | -0.17 | 138.05 | - | 0.62 |
| 3 Over 15 years | 146.84 | -0.38 | 147.40 | - | 0.00 |
| 4 Irredeemables | 161.14 | -0.71 | 162.30 | - | 0.00 |
| 5 All stocks | 135.08 | -0.19 | 135.42 | 0.09 | 0.60 |
| Index-Linked | | | | | |
| 6 5 years | 124.10 | +0.10 | 123.98 | - | 0.00 |
| 7 Over 5 years | 112.19 | -0.14 | 112.35 | - | 0.36 |
| 8 All stocks | 113.00 | -0.12 | 113.14 | - | 0.33 |
| 9 Debentures & Loans | 116.77 | +0.11 | 116.66 | 0.02 | 0.63 |
| 10 Preference | 86.59 | +0.09 | 86.51 | - | 0.17 |

| AVERAGE GROSS REDEMPTION YIELDS | | Tue Jan 19 | Mon Jan 18 | Year ago (approx.) |
|---|---|---|---|---|
| British Government | | | | |
| 1 Low Coupons | 5 years | 8.98 | 9.04 | 9.44 |
| 2 | 15 years | 9.51 | 9.48 | 9.81 |
| 3 | 25 years | 9.45 | 9.38 | 9.81 |
| 4 Medium Coupons | 5 years | 9.62 | 9.56 | 10.36 |
| 5 | 15 years | 9.65 | 9.59 | 10.05 |
| 6 | 25 years | 9.55 | 9.45 | 9.86 |
| 7 High Coupons | 5 years | 9.71 | 9.65 | 10.46 |
| 8 | 15 years | 9.86 | 9.81 | 10.22 |
| 9 | 25 years | 9.60 | 9.50 | 9.92 |
| 10 Irredeemables | | 9.35 | 9.28 | 9.75 |
| Index-Linked | | | | |
| 11 Inflation rate 5% | 5yrs. | 2.53 | 2.56 | 3.42 |
| 12 Inflation rate 5% | Over 5 yrs. | 3.68 | 3.68 | 3.74 |
| 13 Inflation rate 10% | 5yrs. | 1.54 | 1.57 | 1.97 |
| 14 Inflation rate 10% | Over 5 yrs. | 3.52 | 3.51 | 3.57 |
| 15 Debs & Loans | 5 years | 10.94 | 10.97 | 10.93 |
| 16 | 15 years | 10.91 | 10.92 | 10.93 |
| 17 | 25 years | 10.91 | 10.92 | 10.93 |
| 18 Preference | | 10.48 | 10.50 | 11.54 |

♦Opening index 1779.3; 10 am 1770.2; 11 am 1773.2; Noon 1771.8; 1 pm 1771.0; 2 pm 1768.5; 3 pm 1759.3; 3.30 pm 1759.7; 4 pm 1764.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

## LONDON TRADED OPTIONS

| Option | | CALLS Jan. | CALLS Apr. | CALLS Jul. | PUTS Jan. | PUTS Apr. | PUTS Jul. |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*345) | 330 | 17 | 40 | 47 | 1½ | 17 | 28 |
| | 360 | 2½ | 24 | 33 | 18 | 33 | 45 |
| | 390 | 3 | 14 | 23 | 48 | 52 | 62 |
| Brit. Airways (*166) | 140 | 27 | 33 | 40 | 1½ | 17 | 28 |
| | 360 | 2½ | 24 | 33 | 18 | 33 | 45 |
| | 390 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | CALLS Feb. | CALLS May | CALLS Aug. | PUTS Feb. | PUTS May | PUTS Aug. |
|---|---|---|---|---|---|---|---|
| LASMO (*313) | 280 | 45 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 300 | 30 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 330 | 20 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| P. & O. (*538) | 460 | 87 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 500 | 52 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 550 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

January 19 Total Contracts [illegible] Calls [illegible] Puts [illegible]

FT-SE Index Calls [illegible] Puts [illegible]

*Underlying security price.

### TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

| Stock | Volume 000's | Stock | Volume 000's | Stock | Volume 000's |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | Prudential | 87 |
| [illegible] | [illegible] | [illegible] | [illegible] | Racal | 1,220 |

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 44 | 53 | 19 |
| Corporations, Dominion and Foreign Bonds | 7 | 18 | 28 |
| Industrials | 272 | 637 | 657 |
| Financial and Properties | 91 | 285 | 250 |
| Oils | 21 | 41 | 50 |
| Plantations | 3 | 3 | 7 |
| Mines | 40 | 53 | 103 |
| Others | 71 | 85 | 94 |
| Totals | 549 | 1,175 | 1,217 |

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1987/88 High | 1987/88 Low | Stock | Closing Price p | +or- | Net Div. | Times Covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1987/88 High | 1987/88 Low | Stock | Closing Price £ | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1987/88 High | 1987/88 Low | Stock | Closing Price p | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

هكذا منه بالأصل

# WORLD STOCK MARKETS

AUSTRIA | FRANCE | GERMANY | NETHERLANDS | SWEDEN | BELGIUM/LUXEMBOURG | SWITZERLAND | NORWAY | DENMARK | ITALY | SPAIN | FINLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

## CANADA

### TORONTO
*Prices at 2.30pm January 19*

[illegible]

†—No voting rights or restricted voting rights.

### MONTREAL
*Closing prices January 19*

[illegible]

## OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

[illegible]

## Indices

### NEW YORK — DOW JONES

[illegible]

### CANADA

[illegible]

### NEW YORK ACTIVE STOCKS

[illegible]

| | Jan. 19 | Jan. 18 | Jan. 15 | Jan. 14 | 1987–88 High | 1987–88 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1298.7 | 1293.4 | 1277.5 | 1264.1 | 2305.9 (21/9/87) | 1151.0 (11/11/87) |
| All Mining (1/1/80) | 707.9 | 708.1 | 710.9 | 705.5 | 1462.4 (14/10/87) | 586.9 (11/11/87) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 174.33 | 174.84 | 173.58 | 173.62 | 232.19 (22/9/87) | 172.01 (11/11/87) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/84) | 3851.6 | (u) | 3702.9 | 3686.7 | 5412.2 (13/8/87) | 3503.8 (18/12/87) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (u) | 186.61 | 184.27 | 185.23 | 219.76 (27/8/87) | 179.60 (20/11/87) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 552.7 | 546.1 | 530.6 | 535.3 | 679.1 (15/10/87) | 425.2 (5/1/87) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 270.5 | 277.8 | 270.8 | 271.3 | 460.4 (26/3/87) | 270.3 (11/12/87) |
| Ind. Tendance (31/12/87) | 97.1 | 98.8 | 100.4 | 97.2 | 103.7 (6/1/88) | 97.1 (13/1/88) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 413.7 | 422.45 | 403.42 | 411.15 | 676.84 (6/1/87) | 400.13 (10/11/87) |
| Commerzbank (1/12/53) | 1263.3 | 1290.8 | 1228.9 | 1259.6 | 2061.1 (17/8/87) | 1220.9 (10/11/87) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2488.15 | 2512.19 | 2429.77 | 2411.52 | 3949.73 (1/10/87) | 1894.94 (7/12/87) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 489.19 | 495.86 | 480.16 | 481.5 | 767.34 (30/4/87) | 476.27 (10/11/87) |
| **JAPAN **** | | | | | | |
| Nikkei (16/5/49) | 22898.17 | 22910.20 | (c) | 22603.65 | 26646.43 (14/10/87) | 18544.00 (13/1/87) |
| Tokyo SE New (4/1/68) | 1820.46 | 1828.09 | (c) | 1800.36 | 2258.56 (11/6/87) | 1557.46 (13/1/87) |
| **NETHERLANDS** | | | | | | |
| ANP-CBS General (1970) | 216.2 | 220.1 | 210.4 | 210.1 | 334.1 (14/8/87) | 192.2 (10/11/87) |
| ANP-CBS Industrial (1970) | 167.1 | 168.9 | 161.1 | 160.2 | 280.8 (11/8/87) | 147.5 (10/11/87) |
| **NORWAY** | | | | | | |
| Oslo SE (4/1/83) | 361.05 | 365.51 | 349.46 | 344.12 | 592.04 (21/9/87) | 307.48 (10/11/87) |
| **SINGAPORE** | | | | | | |
| Straits Times Ind. (30/12/66) | 912.1 | 917.5 | 869.80 | 861.50 | 1505.4 (26/8/87) | 700.4 (7/12/87) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | (u) | 1596.0 | 1590.0 | 1602.0 | 2499.0 (3/8/87) | 1448.0 (5/11/87) |
| JSE Industrial (28/9/78) | (u) | 1524.0 | 1503.0 | 1499.0 | 2266.0 (16/10/87) | 1402.0 (23/11/87) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 247.22 | 249.17 | 237.31 | 235.88 | 325.44 (6/10/87) | 201.08 (4/12/87) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (31/12/56) | 2254.0 | (u) | 2215.6 | 2191.5 | 3550.4 (9/10/87) | 2068.6 (10/11/87) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 478.8 | 481.9 | 469.2 | 468.5 | 729.7 (5/10/87) | 450.9 (10/11/87) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | (u) | 496.2 | 492.0 | 494.6 | 495.9 (27/8/87) | 361.3 (2/1/87) |

** Saturday January 16: Japan Nikkei (c) . TSE (c)

Base values of all indices are 100 except Brussels SE — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia, All Ordinary and Metals — 500; (c) Closed.(u) Unavailable.

## CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

**RISES**

| | | | |
|---|---|---|---|
| A.C. Holdings | 388 | + | 13 |
| Adscene | 103 | + | 13 |
| Anglia TV | 411 | + | 17 |
| Calor Group | 530 | + | 40 |
| Central TV | 511 | + | 23 |
| Concentric | 235 | + | 10 |
| Electron House | 138 | + | 13 |
| Hard Rock Intl. | 108 | + | 14 |
| Hogg Robinson PLC | 264 | + | 14 |
| Inchcape | 649 | + | 13 |
| Jacksons Bourne End | 469 | + | 31 |
| Multitone Elect. | 68 | + | 5 |
| Vaux Group | 505 | + | 17 |

**FALLS**

| | | | |
|---|---|---|---|
| Exch. 12% 2013/17 | £124½ | - | ⅝ |
| Cook (D.C.) Hldgs. | 183 | - | 15 |
| Guinness | 297 | - | 10 |
| Lucas Inds. | 610 | - | 14 |
| Pilkington | 340 | - | 8 |
| Reed Intl. | 415 | - | 15 |
| Tip Top Drugstores | 106 | - | 14 |

### TOKYO - Most Active Stocks
Tuesday January 19 1988

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Toshiba | 35.29m | 687 | +8 |
| Sumitomo Chemical | 26.69m | 985 | -25 |
| Kawasaki Heavy Industries | 24.40m | 296 | +7 |
| Mitsui | 21.10m | 470 | +20 |
| Sankyo | 13.49m | 1980 | +90 |
| Clarion | 12.82m | 1000 | +49 |
| Mitsubishi Chemical | 10.80m | 985 | -25 |
| Kawasaki Steel | 10.70m | 333 | -6 |
| Fujitsu | 10.69m | 1450m | -40 |
| Ishikawajima-Harima Heavy Ind | 9.49m | 658 | -23 |



## N. AMERICAN QUARTERLY RESULTS

**ABBOTT LABORATORIES**
Pharmaceuticals

| Fourth quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenues | 1.29bn | 1.06bn |
| Net income | 190m | 160.6m |
| Net per share | 0.84 | 0.70 |
| Year | | |
| Revenues | 4.39bn | 3.81bn |
| Net income | 632.5m | 540.4m |
| Net per share | 2.78 | 2.32 |

**ALLEGHENY INTERNATIONAL**
Consumer products

| First quarter | 1987/8 $ | 1986/7 $ |
|---|---|---|
| Revenues | 256.2m | 257.9m |
| Op net income | #4.8m | #94.3m |
| Op per share | #0.25 | #9.41 |

#Loss

**ALLIED BANCSHARES**
Banking

| Fourth quarter | 1987 $ | 1986 $ |
|---|---|---|
| Net income | #77.1m | 4.1m |
| Net per share | #1.86 | 0.10 |
| Year | | |
| Net income | #318m | #17.6m |
| Net per share | #7.66 | #0.42 |

#Loss

**AMERICAN MEDICAL INTERNATIONAL**
Hospital management

| First quarter | 1987/8 $ | 1986/7 $ |
|---|---|---|
| Revenues | 1.03bn | 931.8m |
| Op.Net income | 22.4m | 28.6m |
| Op.Net p/shr | 0.27 | 0.33 |

**BARNETT BANKS**
Banking

| Fourth quarter | 1987 $ | 1986 $ |
|---|---|---|
| Net income | 52.4m | 39.3m |
| Net per share | 0.87 | 0.66 |
| Year | | |
| Net income | 198.9m | 169.8m |
| Net per share | 60m | 58.2m |

**COLT INDUSTRIES**
Industrial products

| Fourth quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenues | 424.1m | 416.9m |
| Net income | 14.8m | 9.4m |
| Net per share | 0.43 | 0.21 |
| Year | | |
| Revenues | 1.64bn | 1.62bn |
| Net income | 75m | 89.3m |
| Net per share | 2.15 | 0.66 |

**CROSS & TRECKER**
Machine tools

| First quarter | 1987/87 $ | 1986/7 $ |
|---|---|---|
| Revenues | 107.3m | 103.3m |
| Op.net income | #1.36m | #2.08m |
| Net per share | #0.11 | #0.17 |

#Loss

**FIRST WACHOVIA**
Banking

| Fourth quarter | 1987 $ | 1986 $ |
|---|---|---|
| Net income | 39.9m | 51.2m |
| Net per share | 0.73 | 0.95 |
| Year | | |
| Assets | 19.3bn | 18.7bn |
| Net income | 176.6m | 193.8m |
| Net per share | 3.24 | 3.59 |

**INTERNATIONAL MINERALS & CHEMICALS**
Resources, chemicals

| Second quarter | 1987/8 $ | 1986/7 $ |
|---|---|---|
| Revenues | 460.4m | 380.7m |
| Op net income | 46.7m | #8.9m |
| Op net p/shr | 1.59 | #0.43 |
| Six months | | |
| Revenues | 885.1m | 721m |
| Op net income | 69m | #6.6m |
| Op net p/shr | 2.25 | #0.45 |

#Loss

**MORTON THIOKOL**
Chemicals, aerospace

| Second quarter | 1987/8 $ | 1986/7 $ |
|---|---|---|
| Revenues | 584.8m | 460.3m |
| Net income | 39.3m | 32.4m |
| Net per share | 0.82 | 0.68 |
| Six months | | |
| Revenues | 1.01bn | 909.6m |
| Net income | 79.9m | 65.4m |
| Net per share | 1.67 | 1.38 |

**NBD BANCORP**
Banking

| Fourth quarter | 1987 $ | 1986 $ |
|---|---|---|
| Net income | 49.7m | 44m |
| Net per share | 1.08 | 0.95 |
| Year | | |
| Assets | 23.35bn | 23.06bn |
| Net income | 162.2m | 167.5m |
| Net per share | 3.47 | 3.70 |

**PARKER HANNIFIN**
Fluid power components

| Second quarter | 1987/8 $ | 1986/7 $ |
|---|---|---|
| Revenues | 528.6m | 445.7m |
| Net income | 25.4m | 21.2m |
| Net per share | 0.55 | 0.47 |
| Six months | | |
| Revenues | 1.09bn | 890m |
| Net income | 47.2m | 40.1m |
| Net per share | 1.03 | 0.89 |

**PAYLESS CASHWAYS**
Road freight

| Fourth quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenues | 459.3m | 405.6m |
| Net income | #2.7m | 10.9m |
| Net per share | #0.08 | 0.32 |
| Year | | |
| Revenues | 1.77bn | 1.53bn |
| Net income | 28.1m | 42.3m |
| Net per share | 0.81 | 1.22 |

#Loss

**ROWAN COMPANIES**
Drilling contractor

| Fourth quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenues | 46.8m | 28.2m |
| Net income | #15.5m | #17.4m |
| Net per share | #0.21 | #0.34 |
| Year | | |
| Revenues | 143.1m | 167.2m |
| Net income | #65.6m | #42.1m |
| Net per share | #1.07 | #0.81 |

#Loss

**TANDY**
Consumer electronics retailer

| Second quarter | 1987/8 $ | 1986/7 $ |
|---|---|---|
| Revenues | 1.3bn | 1.2bn |
| Net income | 130.8m | 103.8m |
| Net per share | 1.46 | 1.16 |
| Six months | | |
| Revenues | 2.14bn | 1.94bn |
| Net income | 195m | 147.5m |
| Net per share | 2.17 | 1.64 |

**VLSI TECHNOLOGY**
Integrated circuits

| Fourth quarter | 1987 $ | 1986 $ |
|---|---|---|
| Revenues | 47m | 34.3m |
| Net income | 2.28m | 1.41m |
| Net per share | 0.10 | 0.06 |
| Year | | |
| Revenues | 172m | 111.7m |
| Net income | 8.06m | 56,000 |
| Net per share | 0.35 | nil |

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

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# NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

[illegible]

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 86 | 60 | Xerox | 3 | 5.2 | 12 | 5487 | 58⅝ | 57⅝ | 57¾ | −1 |
| 68¼ | 52½ | Xerox pf5.45 | | 10. | | 323 | 53¾ | 53⅝ | 53¾ | |
| 31½ | 19⅛ | XTRA | .64 | 2.5 | 17 | 28 | 25¾ | 24⅝ | 25⅝ | +⅝ |
| 39⅞ | 17½ | Yorkin | | | 9 | 136 | 23 | 22¾ | 22¾ | −½ |
| 7¼ | 2¼ | Zapata | | | | 60 | 2⅜ | 2⅜ | 2⅜ | |
| 37 | 13½ | Zayre | .40 | 2.6 | 6 | 1238 | 15¾ | 15⅜ | 15½ | −⅛ |
| 18⅛ | 8¾ | Zemex | .40 | 4.2 | 8 | 3 | 9½ | 9½ | 9½ | |
| 33⅝ | 10 | ZenithE | | | | 962 | 15⅞ | 15⅝ | 15¾ | −⅛ |
| 13½ | 2½ | ZenLab | | | | 525 | 3⅛ | 2⅞ | 3 | −⅛ |
| 26 | 13½ | ZenNtl | .80 | 4.7 | 8 | 20 | 17½ | 17⅛ | 17⅛ | −⅛ |
| 20⅝ | 11⅝ | Zero | .36 | 2.4 | 15 | 25 | 15 | 14¾ | 15 | +¼ |
| 30¾ | 15 | Zurnin s .68 | | 3.2 | 14 | 140 | 21⅜ | 20⅞ | 21⅛ | −⅛ |
| 10½ | 7⅝ | Zweig 1.09e | | 12. | | 466 | 9⅜ | 9¼ | 9¼ | −⅛ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.



# AMEX COMPOSITE CLOSING PRICES

[illegible]

# OVER-THE-COUNTER

*Nasdaq national market, closing prices*

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AMERICA

# Doubts on world trade imbalances undermine Dow

## Wall Street

GLOBAL TRADE imbalances continued to capture the equity market's attention yesterday as dealers tried to glean information about the US trade performance in December from figures released on Japan's trade performance last month, *writes Janet Bush in New York.*

The Japanese Finance Ministry announced that Japan's bilateral surplus with the US was $4.91bn compared with $4.74bn in December 1986.

The news immediately sent the dollar lower in Tokyo and it recorded its day's low of Y128.28 in New York before recovering to around Y128.65 in late trading.

The weaker dollar and the trade news from Japan undermined stocks in early trading and at one point the Dow Jones Industrial Average stood nearly 26 points below Monday's close.

The index recovered some of those losses by midsession, but drifted lower in afternoon trading.

After a sudden dip just before the close the Dow finished 27.52 points down on Monday's figure, at 1,936.34. Activity continued to be subdued and only about 154m shares changed hands.

The US bond market reopened after Monday's holiday in memory of Martin Luther King.

Prices moved lower in what dealers saw as a correction after Friday's substantial gains on the release of figures showing a sharply narrower US trade deficit in November. Bond prices were also reacting to the dollar's dip.

The Treasury's 8.875 per cent benchmark 30-year issue closed 13/32 point lower to yield 8.81 per cent.

Another point of interest for the bond market is tomorrow's Bundesbank press conference which will be held after the West German central bank's regular council meeting.

The Bundesbank said the press conference would explain the council's decision on its 1988 monetary target. The US bond market will be watching that meeting carefully for any clues about current thinking within the bank on interest rate policy.

Among other economic news, capacity utilisation for factories, utilities and mines rose slightly to 82.1 per cent in December compared with 82 per cent in November. However, usage in factories alone fell marginally to an adjusted 82.2 per cent last month from 82.3 per cent in November.

Strong growth in manufacturing output recently has caused concern that companies whose capacity was cut back drastically when the dollar was overvalued, may come up against capacity constraints as output recovers. However, yesterday's figures were neutral overall.

The stock market continues to languish from a lack of institutional and retail investor demand.

There has been great caution in reinvesting in the market since last October and the 140 point fall on January 8 provided a further setback to what had seemed to be a gradual recovery in confidence.

Activity is concentrated in stocks which are the subject of takeover bids or companies which are beginning to announce their latest results.

A number of important results were announced yesterday. International Business Machines fell steadily throughout the day and closed $6 lower at $111¼ after the company announced its fourth quarter results.

IBM announced net earnings in the fourth quarter of $3.47 a share compared with $2.28 a year earlier. Although these results were good overall, there was some disappointment in rather weak hardware sales and doubt about what some analysts regarded as the rather low tax rate the company used in its accounting.

Mellon Bank slipped $¼ to $25¼ after its announcement of fourth quarter results. The bank said it had made a fourth quarter provision for credit losses of $308m compared with $99m a year ago. It made a fourth quarter loss of $234m compared with a net profit of $15m a year earlier.

Banc One, the Ohio-based bank holding company announced record net income of $208.9m for the year ended December 31, 1987. Fourth quarter net income was also at a record of $66.7m. Banc One's share price closed $⅛ higher at $25.

J.P. Morgan also announced fourth quarter results, reporting net earnings of $1.21 a share compared with $1.02 a year earlier. Its share price slipped $⅞ to $33⅞.

Sterling Drug rose $¼ to $77½, above Hoffman-La Roche's latest offer for the company of $76 a share. The Swiss drug company increased its offer late on Monday from $72 a share, after news that Sterling had started negotiating about a possible takeover by a third party.

Santa Fe Southern Pacific put on $½ to $44⅞ after the Henley Group said it planned a proxy fight to elect its own board of directors at Santa Fe's annual meeting and had filed a law suit to force changes in the company's shareholder rights plan.

## Canada

AS INVESTORS assessed the December Japanese trade surplus with the United States, Toronto stocks closed marginally higher in mixed trading.

The composite index, which had risen about 23 points in earlier trading, firmed 0.20 to 3170.50.

SOUTH AFRICA

THE FIRMER financial rand pushed Johannesburg gold shares lower in listless trade as investors stood aside awaiting fresh market signals.

The steady bullion price offered no support for Vaal Reefs, which tumbled R9.50 to R317, nor for Kloof, off R1.25 at R36.50. Randfontein was R5 cheaper at R250 and Driefontein closed R1 down at R37, while Freegold lost R1.50 to R35.75 and Harmony 75 cents to R32.

Mining financials eased in their wake, with Anglo American slipping 50 cents to R50. Gold Fields of South Africa also gave up R1 to R55.50 after reporting a slight decline in earnings to the year ended December 31.

Other mining shares were also softer, with leading diamond stock De Beers edging 25 cents lower to end at R30.50.

Industrials finished mixed with a slightly firmer tone. News that South Africa's major commercial banks were to raise their prime rate came too late to affect trading.

George Graham in Paris examines whether a round of drinks takeovers will revive a flagging market

# Taste for French spirits causes headaches

FAMILY VALUES are strong in France's spirits business. Brokers searching desperately for signs of life in a flat stock market yesterday ran into a wall of family holdings that put a block on the wildest takeover speculations.

Two of the few distillers quoted on the French stock exchange are already in the throes of takeover battles. Martell, the brandy house, is being fought over by the two giants of the world wine and spirits business, Seagram and Grand Metropolitan.

Meanwhile, Bénédictine, the producer of a liqueur invented by Normandy monks in 1510, is the unwilling target of a bid from Rémy et Associés, another family-owned brandy group.

But market efforts to extrapolate from this trend and nose out other potential takeover candidates have proved distinctly unrewarding. Moët Hennessey-Louis Vuitton may be on the lookout for a good premier cru (first growth) Bordeaux chateau, if prices come down, but it seems unlikely to be drawn into a bourse battle.

Pernod Ricard, best known for its anis-based drinks, is showing little sign of life, despite its plan to buy in its own shares. Ark Securities estimates that the share cancellation plan will improve earnings per share by only 1 per cent, while the ending of Pernod's distribution agreement with Coca-Cola could cut earnings growth by half in 1988.

The most promising idea seemed to be Grand Marnier, whose sticky orange liqueur has anointed the end of so many posh dinner parties in London's South Kensington.

Grand Marnier shares, which trade on the Paris "hors cote" over-the-counter market, were changing hands this week at FFr43,000 ($7,580).

Looking beyond the end of their brandy glasses to the rest of the foods sector, some enterprising brokers have come up with Ortiz-Miko, the ice cream producer quoted on the Paris second market. The only problem with Ortiz-Miko as a takeover target is that 85 per cent is owned by a family holding company.

The market will have to make do, therefore, with Martell – a complex bidding battle, since the Grand Met offer, although higher, depends on the Martell family switching allegiance away from Seagram – and with the Bénédictine saga.

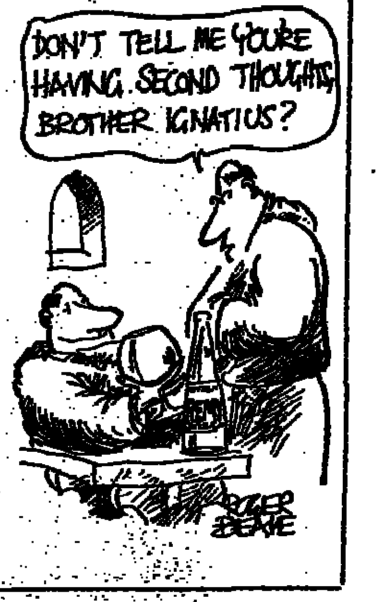
The Normandy liqueur producer, however, is not prepared to lie down without a struggle and has embarked on what may be France's first experience of an advertising campaign as a takeover defence tactic.

The advertisements portray Bénédictine as a dainty maiden sitting on the ground picking flowers, while Rémy Martin marches up behind her holding a bag of money, unaware that he is about to step on a rake.

"Safe values always excite desire," runs the slogan.

The Rémy Martin bid aims for 67 per cent of Bénédictine after its proposed capital increase at a price of FFr6,200 a share, valuing the company at FFr668m.

The bid values Bénédictine at over 100 times 1986 earnings, but the company is expected to improve from that low level. Analysts are also speculating about the value of Bénédictine's stocks.




EUROPE

# Profit-takers bite as weaker dollar spreads dismay

PROFIT-TAKERS held sway in Europe, selling bourses generally lower as disappointment over the extent of Japan's trade surplus rekindled longer-term worries over the dollar.

**FRANKFURT** slid back in a jittery session as dealers took profits on Monday's strong rise. Fluctuations in the dollar also undermined confidence as the US currency opened more than 1 pfg below Monday's close.

The midsession Commerzbank index ended 27.5 off at 1,263.3. The FAZ index closed at 413.07, off 9.38.

Most sectors succumbed to selling. In cars, Daimler was DM10.50 down at DM562.50, while VW's loss of DM2.60 to DM212.20 was softened by news that its sales for its Audi subsidiary rose 14 per cent in 1987.

Degussa fell DM1 to DM304. The metals processor found some support on news that it has taken over the management of troubled nuclear group Nukem, of which it holds 35 per cent, on hopes that the change will improve chances of Nukem's reopening.

Munich Re outperformed lacklustre insurers with a DM15 gain to DM1,785 on news it had bought 99.8 per cent of Geneva-based Neue Rückversicherungs-Gesellschaft.

Elsewhere, electronics blue chip Siemens lost DM7.70 to DM352.50 and Deutsche Bank fell DM6.50 to DM395.50 in an uneasy banking sector.

**AMSTERDAM** fell with the dollar's lower fix and Wall Street's softer opening. The CBS all-share index ended 1.4 lower at 70.4.

International blue chips were strongly marked down, with Royal Dutch falling Fl 6.20 to Fl 203.50 and Unilever tumbling Fl 5 to Fl 105. Akzo was Fl 2.30 lower at Fl 91 and KLM was Fl 1.20 down at Fl 29.10. Philips closed Fl 1 cheaper at Fl 24.30.

Shipper Nedlloyd eased Fl 2 to Fl 175.50 as uncertainty continued over the outcome of a policy battle between the group's management and Norwegian investors. Aircraft group Fokker held at Fl 20.10.

**ZURICH** eased slightly in dull trade, largely ignoring the easier dollar.

Hoffmann-La Roche "baby" shares fell SFr50 to SFr9,550 under pressure following the rejection of its bid for Sterling Drug. Roche said it would raise its offer. Chemical group Ciba-Geigy was steady at SFr2,540, while Sandoz eased SFr30 to SFr1,750.

## London

**DISCOURAGING news about of falls in industrial and manufacturing output combined with pessimism over the direction of US stocks to lead London equities into a dull fall.**

**The FT-SE 100 index ended down 22.0 at 1,768.0 after rallying from a midsession low of 1,757.4. Gilts fell to profit-taking.**

Industrials moved narrowly, Oerlikon-Bührle lost SFr15 to SFr875 but Alusuisse managed a SFr8 gain to SFr499. Georg Fischer drifted SFr15 lower to SFr665.

Financials fell away slightly, Union Bank by SFr65 to SFr3,050 and Crédit Suisse SFr30 to SFr2,420. Insurers Zurich – which announced the purchase of 50 per cent of a Spanish insurer – and Winterthur each lost SFr5 to SFr5,180 and SFr4,875 in turn.

**PARIS** dropped broadly as investors began to cite political uncertainty before the presidential elections as a reason to stay on the sidelines. The 50-share bourse indicator closed 1.70 per cent lower.

The market was little affected by the announcement of conditions for the sale of Matra shares at FFr110 for public offer.

Electronics sold heavily. Radiotechnique led with a FFr81 fall to FFr785, but Moulinex was off FFr2.10 at FFr40 and Thomson-CSF down FFr4 at FFr130.

**BRUSSELS** rose marginally in quiet trade. The cash market index added 9.24 to 3,851.69.

Réserve, the share of Société Générale de Belgique, the country's biggest holding company, remained suspended. A decision on the resumption of trade is due this morning.

Most blue chips succumbed to profit-taking. AG, though, was unchanged at BFr5,250 on news it had bought 28.3 per cent of rival insurer Assubel-Vie.

**STOCKHOLM** closed mixed with investors nervous over possible repercussions of the white collar workers' strike.

Concern over shutdowns due to the strike cut Volvo by SKr3 to SKr295, but Saab-Scania defied the gloom to rise SKr4 to SKr162.

**OSLO** dropped across the board on a technical correction to Monday's rally. The all-share index closed down 3.56 at 271.12.

ASIA

# Nikkei hits resistance at 23,000

## Tokyo

THE 23,000 mark proved too big a hurdle for the Nikkei average in Tokyo yesterday and prices sagged as profit-taking took hold, *writes Shigeo Nishiwaki of Jiji Press.*

High-technology issues were lightly sold after Monday's buying and consumer issues also weakened.

The market indicator closed a net 12.03 down at 22,898.17 on volume of 559m shares, down from Monday's 613m. The index ranged narrowly between a low of 22,805.69 and a high of 22,962.55. Losers outpaced gainers 496 to 383, with 144 issues unchanged.

Institutional investors took profits as soon as prices rose and officials at the big brokerages said the 23,000 mark would be a barrier for the time being. But as stocks suffered only a slight decline despite a smaller than hoped for drop in Japan's trade surplus for last December, one fund manager said the market's tone was unexpectedly strong.

Small-lot selling hit high-tech stocks, reflecting the yen's rise against the dollar. Fujitsu and Hitachi dropped Y40 each to Y1,450 and Y1,270 respectively, while NEC fell Y60 to Y2,080 and Matsushita Electric Industrial closed Y50 lower at Y2,300. Nippon Telegraph and Telephone (NTT) lost Y40,000 to Y2.21m.

Toshiba gained Y8 to Y687, topping the active list with 35.29m shares changing hands. Buying was said to reflect the group's development of superconducting products and its cheapness against the rest of the sector.

Sumitomo Chemical, which had led the market along with Fujitsu, came under pressure, losing Y25 to Y985 on the second heaviest trading of 26.69m shares. Investors sold for profit following the share's all-time high during trading on Monday.

Investors sought non-ferrous metals on a reported government plan to produce rare earth metals domestically. Mitsui Mining and Smelting leapt Y53 to Y445, in active trade of 21.10m shares. Sumitomo Metal Mining also shot up Y50 to Y1,320, though in thinner trade.

With the decline of high-techs, investors again turned their attention to favourite speculative issues for swift profits. Tokyo Rope added Y30 to Y1,030 and Japan Synthetic Rubber Y60 to Y1,100. Clarion finished Y49 higher at Y1,000, while Toyo Radiator jumped Y27 to Y552.

Bond prices firmed as the yen turned up against the dollar and the December trade surplus registered a smaller decrease than expected. Dealers also stepped up speculative trading on expectations – later fulfilled – of a slowdown in Japan's money supply growth for December.

The yield on the bellwether 5.0 per cent government bond due in December 1997 dropped from Monday's 4.300 per cent to an all-time low of 4.225 per cent, but light selling later pushed it back to 4.240 per cent. Inter-dealer trading of the benchmark issue was active, amounting to Y1,800bn.

Investors took to the sidelines on the Osaka Securities Exchange in the absence of fresh incentives. The OSE stock average turned slightly lower, closing at 23,148.95, off 23.40, on turnover of 82m shares, down 4.5m.

## Hong Kong

THE RENEWED slide in the dollar following Japan's December trade news undermined share prices in Hong Kong and the Hang Seng index shed 24.04 to close at a session low of 2,488.15.

The Hong Kong index finished 15.16 down at 1,627.23 in quieter volume amounting to HK$780m compared with HK$1.24bn on Monday.

Hongkong Telephone, which will be delisted today and replaced by Hong Kong Telecommunications – the result of the merger of Hongkong Telephone and Cable and Wireless Hong Kong – finished its last day 10 cents easier at HK$15.

In mixed properties, Sun Hung Kai lost 15 cents to HK$9.05, while Hang Lung Development added 12½ cents to HK$4.85.

## Singapore

THE MOOD in Singapore turned hesitant as operators viewed Monday's sharp gains as overdone. The dollar's easier tone also unsettled the market.

Trading remained fairly active at 41m shares, but profit-taking pulled the Straits Times industrial index down 5.41 to 912.18.

Among the blue chips, Singapore Airlines lost 20 cents of its 50-cent gain on Monday to end at S$9.75, while OCBC shed 15 cents to S$6.70.

Second-liners saw Malaysia Mining up 6 cents at S$1.43 on 2m shares.

## Australia

IN LACKLUSTRE trading, Sydney shares edged higher on better than expected domestic balance of payments figures for December. The All Ordinaries index ended up 5.1 at 1,298.6.

Industrials again attracted interest, with Westpac bank up 11 cents at A$4.99 and property group Lend Lease adding 20 cents to A$11. News Corp shed 20 cents to A$12.30 on profit-taking.



## FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | TUESDAY JANUARY 19 1988 | | | | | MONDAY JANUARY 18 1988 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1987/88 High | 1987/88 Low | Year ago (approx) |
| Australia (93) | 100.77 | +0.5 | 84.01 | 94.51 | 4.79 | 100.24 | 83.75 | 94.10 | 180.81 | 85.36 | 103.95 |
| Austria (16) | 90.60 | -0.3 | 75.52 | 79.18 | 2.65 | 90.83 | 75.89 | 79.49 | 102.87 | 85.53 | 99.24 |
| Belgium (48) | 103.10 | +0.1 | 85.95 | 89.50 | 5.30 | 102.99 | 86.05 | 89.53 | 134.89 | 94.63 | 104.78 |
| Canada (127) | 111.85 | -0.1 | 93.24 | 104.16 | 2.99 | 111.97 | 93.55 | 104.31 | 141.78 | 98.15 | 107.61 |
| Denmark (38) | 113.36 | +0.2 | 94.50 | 99.06 | 2.99 | 113.15 | 94.53 | 99.37 | 124.83 | 98.18 | 118.95 |
| Finland (23) | 110.58 | +0.2 | 92.18 | 94.91 | 1.56 | 110.34 | 92.19 | 94.83 | – | – | – |
| France (124) | 79.10 | -1.2 | 65.94 | 70.10 | 4.22 | 80.03 | 66.86 | 71.21 | 121.82 | 77.39 | 107.69 |
| West Germany (94) | 70.73 | -1.8 | 58.96 | 61.63 | 3.02 | 72.01 | 60.17 | 62.92 | 104.93 | 68.80 | 97.22 |
| Hong Kong (46) | 94.72 | -0.9 | 78.96 | 94.75 | 5.55 | 95.55 | 79.83 | 95.62 | 158.68 | 73.92 | 96.89 |
| Ireland (14) | 111.86 | +0.1 | 93.24 | 99.38 | 4.56 | 111.80 | 93.41 | 99.79 | 160.22 | 93.50 | 111.50 |
| Italy (94) | 74.32 | -1.3 | 61.96 | 68.27 | 2.81 | 75.28 | 62.90 | 69.29 | 112.11 | 72.04 | 102.21 |
| Japan (457) | 140.89 | +0.7 | 117.45 | 114.48 | 0.61 | 139.89 | 116.88 | 115.00 | 161.28 | 100.00 | 110.66 |
| Malaysia (36) | 118.68 | -1.0 | 98.93 | 116.84 | 3.19 | 119.83 | 100.12 | 117.87 | 193.64 | 93.76 | 111.37 |
| Mexico (14) | 101.53 | +12.7 | 84.64 | 246.45 | 1.44 | 90.07 | 75.25 | 218.13 | 422.59 | 90.07 | 116.41 |
| Netherland (37) | 95.23 | -2.7 | 79.38 | 81.84 | 5.50 | 97.83 | 81.74 | 84.30 | 131.41 | 87.70 | 104.42 |
| New Zealand (24) | 77.36 | +4.2 | 64.49 | 62.39 | 5.26 | 74.24 | 62.03 | 60.05 | 138.99 | 73.39 | 93.38 |
| Norway (24) | 107.08 | -0.9 | 89.27 | 92.95 | 2.94 | 108.10 | 90.31 | 94.45 | 185.01 | 95.51 | 106.78 |
| Singapore (26) | 105.29 | -1.5 | 87.77 | 99.06 | 2.44 | 106.95 | 89.35 | 100.59 | 174.28 | 81.21 | 107.89 |
| South Africa (61) | 126.40 | -0.8 | 105.37 | 87.73 | 4.86 | 127.46 | 106.49 | 88.46 | 198.09 | 100.00 | 117.52 |
| Spain (43) | 135.59 | -0.4 | 113.03 | 116.95 | 3.46 | 136.14 | 113.74 | 117.83 | 168.81 | 100.00 | 115.50 |
| Sweden (34) | 98.79 | +0.9 | 82.35 | 88.11 | 2.60 | 97.89 | 81.78 | 87.74 | 136.64 | 88.50 | 95.94 |
| Switzerland (53) | 78.32 | -0.7 | 65.29 | 66.30 | 2.51 | 78.87 | 65.90 | 67.01 | 111.11 | 73.65 | 102.96 |
| United Kingdom (331) | 129.74 | -0.9 | 108.15 | 108.15 | 4.32 | 130.96 | 109.42 | 109.42 | 162.87 | 99.65 | 109.30 |
| USA (588) | 101.84 | -0.9 | 84.89 | 101.84 | 3.64 | 102.78 | 85.87 | 102.78 | 137.42 | 91.21 | 111.13 |
| Europe (973) | 100.52 | -1.1 | 83.80 | 86.18 | 3.93 | 101.62 | 84.90 | 87.35 | 130.02 | 92.25 | 105.22 |
| Pacific Basin (682) | 137.52 | +0.7 | 114.64 | 112.79 | 0.84 | 136.58 | 114.11 | 113.26 | 158.77 | 100.00 | 109.92 |
| Euro–Pacific (1655) | 122.75 | +0.1 | 102.33 | 102.13 | 1.86 | 122.64 | 102.46 | 102.88 | 143.65 | 100.00 | 108.05 |
| North America (715) | 102.37 | -0.9 | 85.34 | 101.99 | 3.60 | 103.27 | 86.28 | 102.88 | 137.55 | 91.68 | 98.63 |
| Europe Ex. UK (642) | 82.42 | -1.2 | 68.71 | 72.32 | 3.57 | 83.45 | 69.72 | 73.44 | 111.97 | 78.89 | 100.35 |
| Pacific Ex. Japan (225) | 96.89 | +0.2 | 80.77 | 91.78 | 4.90 | 96.71 | 80.81 | 91.69 | 164.03 | 82.92 | 110.94 |
| World Ex. US (1857) | 122.41 | +0.1 | 102.04 | 102.16 | 1.93 | 122.31 | 102.19 | 102.89 | 143.38 | 100.00 | 108.14 |
| World Ex. UK (2114) | 112.94 | -0.2 | 94.15 | 101.37 | 2.31 | 113.14 | 94.53 | 102.12 | 138.82 | 100.00 | 109.32 |
| World Ex. So. Af. (2384) | 114.35 | -0.3 | 95.32 | 102.09 | 2.50 | 114.64 | 95.78 | 102.89 | 139.47 | 100.00 | 109.26 |
| World Ex. Japan (1988) | 101.76 | -0.9 | 84.83 | 95.95 | 3.78 | 102.68 | 85.79 | 96.92 | 134.22 | 92.98 | 108.67 |
| The World Index (2445) | 114.43 | -0.3 | 95.39 | 102.01 | 2.51 | 114.72 | 95.85 | 102.81 | 139.73 | 100.00 | 109.32 |

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).